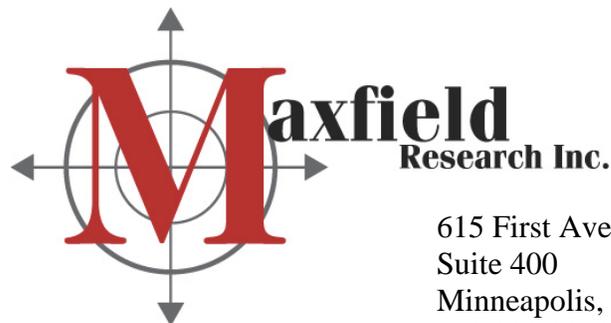


An Analysis of the Market Potential for
Housing, Retail, and Office Uses at the
Waite Avenue Redevelopment Area in
Waite Park, Minnesota

Prepared for:

City of Waite Park
Waite Park, Minnesota

July 2007



615 First Avenue NE
Suite 400
Minneapolis, MN 55413
612.338.0012



July 17, 2007

Shaunna Johnson
City Administrator
City of Waite Park
19 13th Avenue North
PO Box 339
Waite Park, Minnesota 56387

Dear Ms. Johnson:

Attached our study entitled, “*An Analysis of the Market Potential for Housing, Retail, and Office Uses at the Waite Avenue Redevelopment Area in Waite Park, Minnesota.*” Our research includes a review of the demographic characteristics and growth trends in the Waite Park area, and of the existing supply of and market conditions for housing, retail, and office space.

Based on this analysis, we find demand for townhomes, rental units, and retail and office space. We recommend a phased development that focuses, in the first phase, on twinhomes, attached single-level townhomes, and a rental building. We also recommend developing between 75,000- and 100,000-square feet of retail space at the Site.

Detailed findings and recommendations for each land use can be found in the *Conclusions and Recommendations* section of the report.

We have enjoyed performing this study and are available if you need additional information.

Sincerely,

MAXFIELD RESEARCH INC.

A handwritten signature in black ink that reads 'Grant Martin'.

Grant Martin
Senior Research Analyst

Attachment

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Study Impetus

Maxfield Research Inc. was engaged by the City of Waite Park to determine the market feasibility for multifamily housing, retail, and office uses at a redevelopment site along Waite Avenue and Division Street.

The scope of this study includes an evaluation of the site; definition of an appropriate draw area (“Market Area”) for housing, retail and office uses; an examination of demographic growth trends and characteristics of the Market Area; and an analysis of competitive housing, office, and retail developments in the Market Area. Based on the research, demand is projected for for-sale multifamily housing units and retail, and office space at the redevelopment site and recommendations are provided.

The report contains primary and secondary research. Primary research includes interviews with Realtors, commercial brokers, City staff, and others. All of the market data on existing and pending developments was collected by Maxfield Research Inc. and is accurate to the best of our knowledge. Secondary data, such as U.S. Census, is credited to the source, and is used as a basis for analysis.

REDEVELOPMENT AREA OVERVIEW

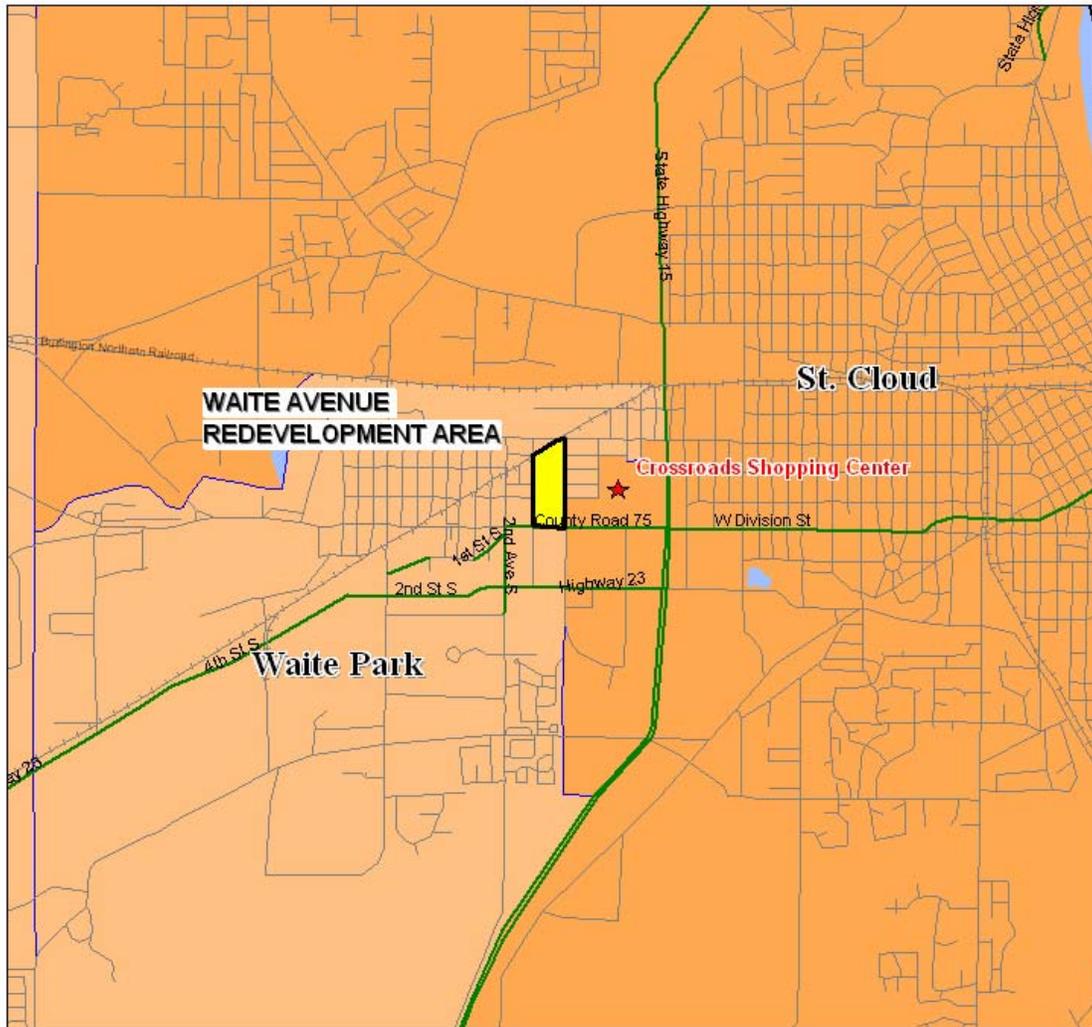
Introduction

This section of the study provides a brief overview of the Waite Avenue Redevelopment Area and the redevelopment plan in its current form. Later sections of the study address strengths and weaknesses of the Site for specific uses.

Site Location

The Waite Avenue Redevelopment Area is bordered by Division Street North on the south, Waite Avenue on the east, 3rd Street Northeast and the Burlington Northern Railroad on the north, and 1st Avenue North on the west. The map that follows shows the location of the Waite Avenue Redevelopment Area.

Location of Waite Avenue Redevelopment Area



Maxfield Research Inc.

Physical Characteristics/Community Orientation

The Redevelopment Area currently consists of existing retail uses on the south and east sides of the Site, including West Side Liquors, Petco, Abra Auto and Glass, Jiffy Lube, CarX, and Multiple Concept Interiors and Carpet. On the east side is a strip center with a Von Hanson's Meats, Huntington Learning Center, Let's Dish, insurance office, Sara Nails, Luchiano's Pizza, and Platinum Hair Design and Spa.

On the northwest corner of the intersection of Division Street and Waite Avenue (the southeast corner of the Site) is a vacant commercial parcel to be developed. This corner has the best visibility on the Site. As we understand it, a developer is currently working with the City of Waite Park on a proposal for this parcel.

The remaining parcels of the Site consist of single-family homes, which are somewhat older but are generally in good shape.

Adjacent Uses

Division Street North, the southern border of the redevelopment area, is one of the St. Cloud Metro Areas main retail corridors. Along with Second Street South (Highway 23 in Waite Park), two blocks south of Division Street North, these two streets have almost all of the big box retailers and national retailers in the metro area.

East and directly south of the Site, Division Street North has several national retailers, including Pizza Hut, Carribou Coffee, Best Buy, Borders Books, Olive Garden, etc. West of the Site along Division Street North are more local-based and smaller retailers and office users, such as Sammy's Pizza, La Cassita Mexican Restaurant, Edina Realty, Insight Eyecare, Sherwin Williams paint store, and travel agents. While retail development in Waite Park is occurring along both Division Street North and 2nd Avenue South (Highway 23), most of the larger national retailers are attracted developments along 2nd Avenue South.

Crossroads Shopping Center is located directly east of the redevelopment area. This regional shopping center is anchored by a J.C. Penny's, Sears, Macy's, and Target. The 782,000-square foot center also has traditional mall retailers, such as Eddie Bower, the Gap, etc. Brokers that we interviewed said that the mall is currently full (97% to 100% occupancy) and has a waiting list of national high-credit retailers.

The northern border of the Site is a Burlington Northern Railroad track. The railroad, which a spur of the Burlington Northern's line that runs adjacent to Highway 10 across the Mississippi River from Waite Park, does not see large traffic volumes (about one train per week), and trains move relatively slowly on the line, according to information published by the Minnesota Department of Transportation. During our visits to the Site, we saw no trains pass along the railroad.

REDEVELOPMENT AREA OVERVIEW

Immediately across the railroad and across 3rd Street North from the Site are industrial uses. These uses, which are visible from the Site, would not conflict with the proposed uses at the redevelopment area. However, for proposed residential uses, views of these properties could impact marketing.

West of the Site is a residential neighborhood, with mostly single family homes. Sterling House Assisted Living and Park Villas, an independent senior rental building, are also adjacent to the Site on the west.

Traffic Volumes

According to data from the Minnesota Department of Transportation, the traffic counts in and near the Waite Avenue Redevelopment Area in 2005 (the most current year available) were as follows:

- Division Street North east of Waite Avenue 32,700 vehicle trips per day
- 3rd Street North at Waite Avenue 11,100 vehicle trips per day
- Waite Avenue north of Division Street North 7,600 vehicle trips per day

In comparison, the 2003 traffic count on Division Street North east of Waite Avenue was 28,000 vehicle trips per day, meaning that over that two year period traffic increased by 17%. Similar trends are seen in traffic counts on the other streets.

Waite Avenue/44th Avenue North Connection

The Cities of Waite Park and St. Cloud are currently considering building a road that would connect Waite Avenue at the north end of the Site with 44th Avenue in St. Cloud. The new road would relieve traffic in the area that currently has to use Highway 15 to move north and south. The direct result for the Waite Avenue Redevelopment Area is that this improvement would increase traffic counts on Waite Avenue, increasing the marketability of the Site for retail and office uses.

The exact impact of the connection has yet to be determined. The cities of Waite Park and St. Cloud are waiting for the results of a traffic study to determine the impact of the connection. The traffic study will update traffic counts in the area, project future counts, and recommend appropriate street improvements to handle the capacity.

One traffic engineer who will be working on the study said that she expects the results to show a significant increase in traffic along Waite Avenue. She said she expected the numbers could be as high as 20,000 vehicle trips per day, although she warned that this is a very preliminary estimate and she said that after the study the numbers would be more definitive.

However, it is reasonable to conclude that this connection would dramatically change the overall character of the Waite Avenue Redevelopment Area. Currently, most traffic enters Crossroads

REDEVELOPMENT AREA OVERVIEW

Shopping Center from the south and east. This connection will create better access from the north and west, funneling traffic along Waite Avenue and providing great access and visibility for commercial uses at the Site.



Existing strip center in the Waite Avenue Redevelopment Area.



Signage at corner of Waite Avenue and Division Street North, southeast corner of Site.

REDEVELOPMENT AREA OVERVIEW



Existing retail on Waite Avenue.



Examples of single-family homes that currently occupy the Site.

REDEVELOPMENT AREA OVERVIEW



Back of existing retail along Division Street North.



Crossroads Shopping Center, across Waite Avenue from Site.

REDEVELOPMENT AREA OVERVIEW



Another view of Crossroads Shopping Center, across Waite Avenue from north end of Site.



Division Street North, looking east from Site.

REDEVELOPMENT AREA OVERVIEW



Retail across Division Street North from Site.



Burlington Northern Railroad and adjacent industrial uses, northwest of the Site.

REDEVELOPMENT AREA OVERVIEW



View at industrial uses across 3rd Street North from the Site.



Sterling House Assisted Living and Park Villas, adjacent to west of the Site.

Waite Avenue Redevelopment Area Master Plan

The Waite Avenue Redevelopment Area Master Plan is a community-driven document intended to guide and shape the redevelopment of this area. The result of community meetings and workshops, the plan outlines the type of residential and commercial development, community facilities, and amenities as envisioned by the citizens of Waite Park. The map that follows shows the Waite Avenue Redevelopment Area Master Plan.

This section discusses the plan as it currently stands. It is our understanding that this is a work in progress and will likely be amended based on further community input and on recommendations provided by this study and other consultants. This discussion is used to provide a starting place to comment on the overall redevelopment concept.

Land Uses Outlined in Plan

Residential Development

The plan calls for higher density housing to be developed on the western side of the redevelopment area, adjacent to the single-family homes in the neighborhood across 1st Avenue North. The plan currently has one condominium (or apartment) building (“stacked flats”), eight “row-home/townhouse” buildings (with about 32 units), and three cottage or duplex buildings (about seven units).

All of the residential uses are single-use buildings. In other words, the mixed-use components of the plan do not include mixed residential and commercial uses.

Commercial Uses (Retail and Office)

On the east end of the redevelopment area, the plan calls for additional commercial uses to support and complement existing commercial developments within the redevelopment area. In addition to the existing strip center and proposed retail development on the northwest corner of Waite Avenue and Division Street North, the plan calls for five additional commercial buildings to be developed at the Site. Four of the new buildings would be two story mixed-use buildings. It is anticipated that the lower level would consist of retail uses and the upper levels would consist of office uses.

Amenities

In between the residential and commercial areas, the plan calls for park areas to be developed. The plan includes areas set aside for a dog park, strolling garden, plaza with a fountain, and a performing arts stage. The general aesthetics of the area would emphasize green areas and pedestrian pathways. The plan appears to provide abundant parking for both commercial and residential uses, while maintaining its emphasis on pedestrian traffic.

Introduction

This section of the report presents our analysis of the market potential for housing in the Waite Avenue Redevelopment Area. This section combines a review of demographic data for the Market Area with information on the existing multifamily housing market in order to determine demand for different types of housing.

Strengths and Weaknesses of the Site for Housing

Based on our review of the Site, we identified the following strengths and weaknesses of the site for the redevelopment of housing.

Strengths

- ▶ **Proximity to retail and services, generally.** Potential residents would be attracted to the wealth of retail options within walking and driving distance of the Site. The Division Street North/Second Street South area is home to a wide variety of shopping and dining experiences, including both national and local-based retailers and restaurants.
- ▶ **Proximity to Crossroads Shopping Center, specifically.** Crossroads Shopping Center provides a special draw for potential residents. The fact that this regional mall would be within easy walking distance would be very attractive for potential residents.
- ▶ **Adjacent residential neighborhood.** Potential residents would be attracted to the fact that the housing would be located next to a neighborhood with single-family homes. The redevelopment area would provide a natural transition into the more traditional residential neighborhood. Residents would appreciate the balance of activity on the east side of the development with the quiet neighborhood on the west.

Weaknesses

- ▶ **Burlington Northern Railroad.** While there are existing homes already located along this line, some buyers will be apprehensive about purchasing a home along a railroad line, especially a newer, higher-priced home.
- ▶ **Industrial uses north of Site.** Similar to the railroad, many buyers will not consider a home with an industrial use nearby. Homes on this northern end of the Site would have to be sufficiently buffered from these industrial properties.
- ▶ **Lack of natural amenity.** High-density housing is often situated near a natural amenity, such as a park, river, or lake. Buyers are willing to sacrifice the privacy and space of a single-family home for a premium location. There really is no natural amenity near the Site, other than the green space planned, that could provide this kind of draw.

- ▶ **Adjacent retail south of Site.** While the retail uses along Division Street North are generally in good shape, they are not very attractive in appearance. It may be tough to market residential units with views of these properties.

Appropriateness for Residential Uses

Overall, the Waite Avenue Redevelopment Area is appropriate for residential uses. The Site is currently home to a neighborhood of single-family homes. Potential residents would be attracted to the retail and services offered in the area, while, at the same time, their home is situated near a quiet neighborhood. While there are some identified weaknesses to the Site, we believe that these issues can be handled with appropriate design techniques that adequately buffer the conflicting use and by positioning the residential uses away from the conflicting use.

Market Area Definition

Maxfield Research Inc. determined the draw area (“Market Area”) for housing in the Waite Avenue Redevelopment Area based on geographic and man-made boundaries, commuting patterns, and our knowledge of the Waite Park area. The Market Area includes the cities of Waite Park, St. Cloud, Avon, Cold Spring, Le Sauk, Rockville St. Joseph, Sartell, and Sauk Rapids along with the townships of Avon, Collegeville, Haven, Le Sauk, Rockville, St. Augusta, St. Cloud, St. Joseph, St. Wendell, Sauk Rapids, and Wakefield. Residents residing and working in this geographic area comprise the largest potential market for housing, retail, and office uses in the Waite Avenue Redevelopment Area. A map of the Housing Market Area follows.

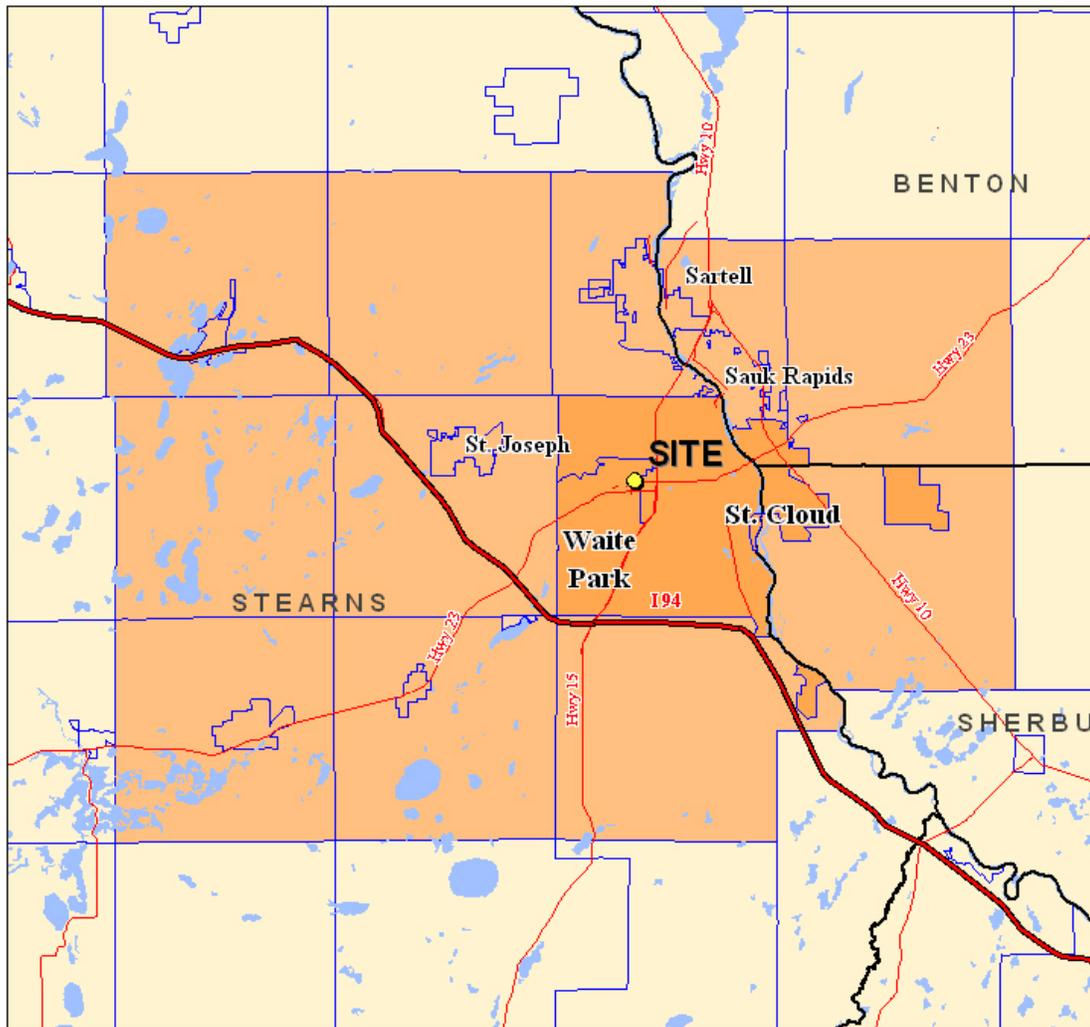
Demographic Analysis

Population and Household Growth Trends and Projections

Table 1 shows population and household growth trends and projections for the Market Area from 1990 to 2020. The 1990 and 2000 population and household figures were obtained from the U.S. Census Bureau, while the projections for 2010 and 2020 were made by the Maxfield Research Inc. based on data from the Minnesota State Demographer’s Office. The following summarizes key demographic findings.

- ▶ Between 2000 and 2010, the Market Area is expected to see solid population and household growth, adding nearly 17,000 people and over 10,000 households. Over the period, the City of Waite Park is projected to add about 950 people and 460 households. The rate of growth for the City of Waite Park is projected to be slower than the Market Area as a whole.

Waite Park Market Area



Maxfield Research Inc.

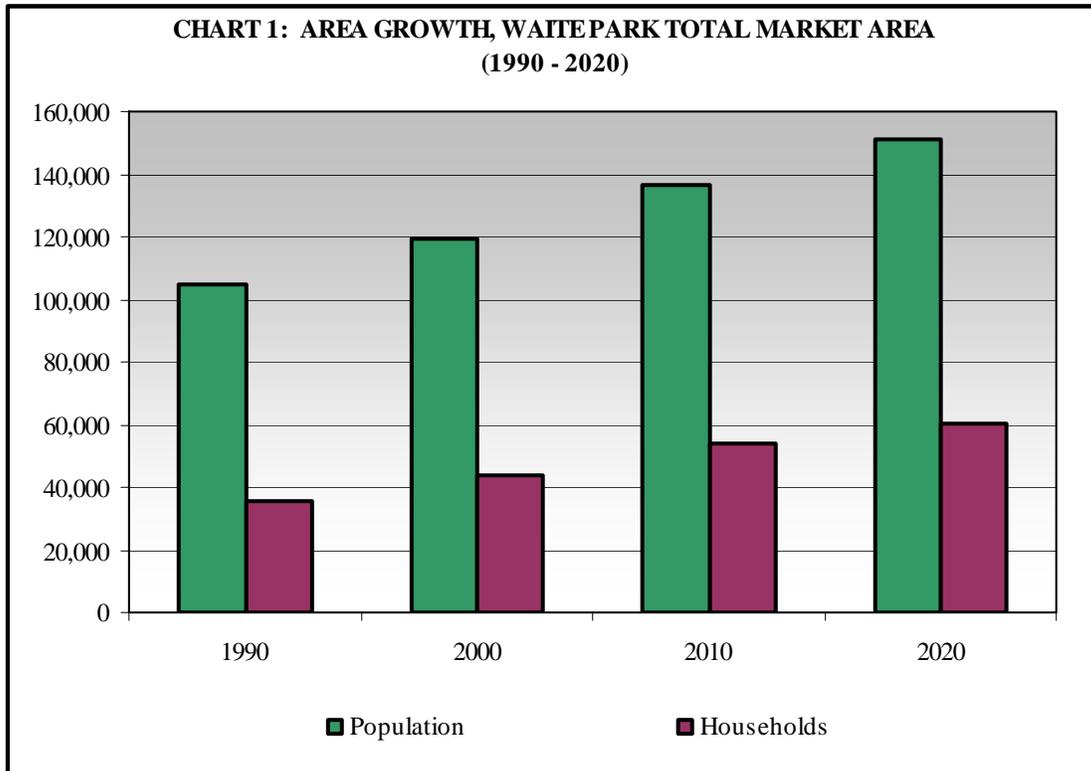
- ▶ Similar trends are projected for the next decade. However, growth in Waite Park is projected to remain relatively steady, while the Market Area as a whole is projected to slow somewhat.
- ▶ Over the entire period, households are projected to grow at higher rates than population, reflecting a trend toward smaller households. One of the key factors driving this trend is the aging of the population, with fewer households having children and more single-person households.
- ▶ Based on the household projections, the City of Waite Park will have to add nearly 400 new housing units between 2007 and 2010.

HOUSING MARKET ANALYSIS

**TABLE 1
POPULATION AND HOUSEHOLD GROWTH TRENDS
WAITE PARK MARKET AREA
1990-2020**

	U.S. Census		Maxfield Projections		Change			
	1990	2000	2010	2020	2000-2010		2010-2020	
					No.	Pct.	No.	Pct.
Population								
City of Waite Park	5,020	6,568	7,520	8,640	952	14.5	1,120	14.9
City of St. Cloud*	56,361	59,107	64,050	67,690	4,943	8.4	3,640	5.7
Remainder of Mkt Area	43,443	53,750	64,800	74,540	11,050	20.6	9,740	15.0
Market Area Total	104,824	119,425	136,370	150,870	16,945	14.2	14,500	10.6
Households								
City of Waite Park	2,072	2,967	3,430	3,980	463	15.6	550	16.0
City of St. Cloud*	20,233	22,652	25,830	27,860	3,178	14.0	2,030	7.9
Remainder of Mkt Area	13,567	17,939	22,340	26,150	4,401	24.5	3,810	17.1
Market Area Total	35,872	43,558	53,900	60,300	10,342	23.7	6,400	11.9
* St. Cloud Township annexed by St. Cloud City and Waite Park in 1996; absorption reflected in 2000 Census figures								
Sources: U.S. Census Bureau; Minnesota Department of Administration; Claritas, Inc.; Maxfield Research Inc.								

**CHART 1: AREA GROWTH, WAITE PARK TOTAL MARKET AREA
(1990 - 2020)**



Household Income

Household income data helps determine the demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development. Table 2 shows household income in the Market Area for 2007 and 2012. Household income data was compiled by Claritas, Inc. (a nationally recognized demographics firm) and adjusted by Maxfield Research Inc., based on household projections in Table 1.

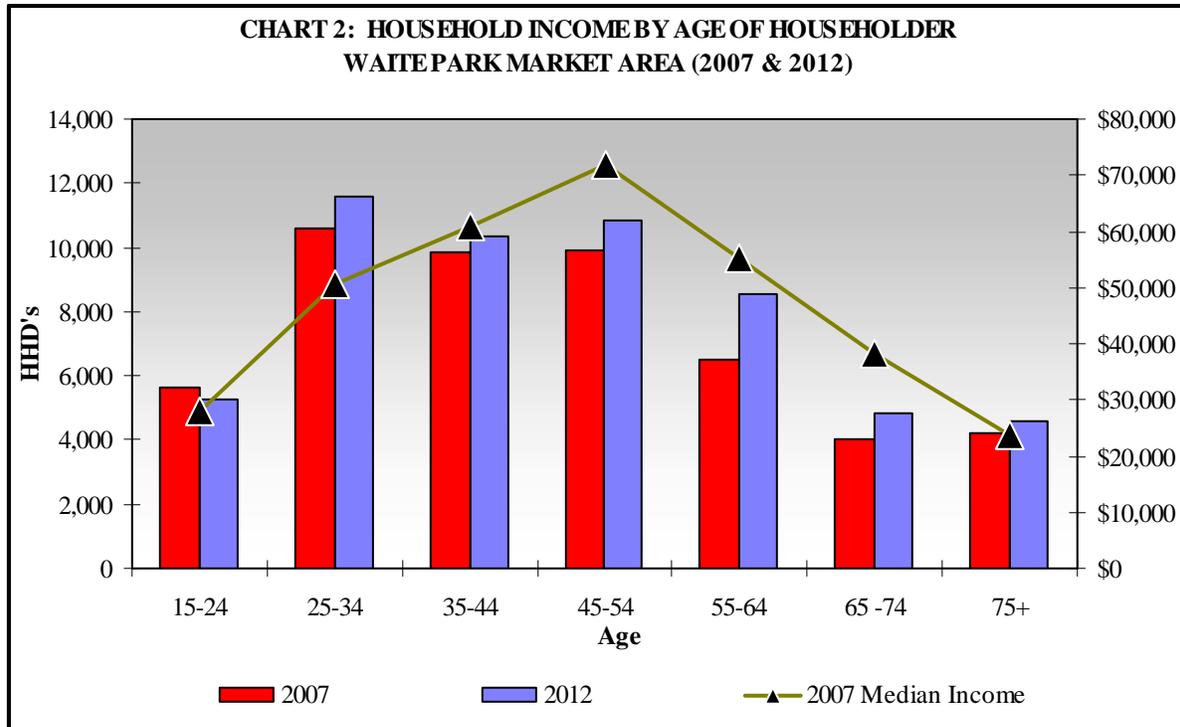
- ▶ The median household income in the Market Area in 2007 is estimated to be \$49,400. Assuming housing costs absorb 30% of gross income, a household earning the 200 Market Area median household income could afford a maximum monthly rent of about \$1,235 (including rent, utilities, and garage parking) or a maximum purchase price of about \$148,000 to \$173,000 (calculating a home purchase price of 3.0 to 3.5 times household income). It should be noted, however, that the median income for all households is affected by the fact that the Market Area is home to a large student population, which brings income down relative to other areas without this large population.
- ▶ Households ages 25 to 34 are typically in the rental market or entry-level for-sale market, and are also a primary market for rental housing in the Redevelopment Area. Their median income in 2007 is estimated to be \$50,500. With this income, a household could afford a monthly rent of about \$1,265 (including rent, utilities, and garage parking) or a maximum purchase price of about \$151,500 to \$177,000. Younger households earning the median income will primarily be a market for entry-level ownership housing or higher-end rental housing.
- ▶ Households ages 35 to 64 have among the highest estimated median incomes in the Market Area in 2007 (\$60,900, \$71,800 and \$55,300, respectively, for ten-year age groups). Households ages 55 to 64 would be a larger market for housing in the Redevelopment Area than householders ages 35 to 54. As households become empty nesters, they often opt for for-sale townhomes or condominiums, which require less maintenance, allowing them to spend more time on other activities, such as travel. The units that they purchase may often have an equal amount of square feet with upgraded finishes than their current single-family homes. Households ages 55 to 64 are projected to grow by 2,000 households during the next five years. Second in growth is the 25-to-34-age group which will add 1,000 households.
- ▶ Seniors ages 65 and over are a market for multifamily housing, including rental and owner housing. Typically, seniors no longer need the amount of space in their single-family homes and will seek multifamily housing that will free them from home maintenance. The median income in 2007 is an estimated \$38,200 for younger seniors (ages 65 to 74) and \$23,900 for older seniors (ages 75 and over).

HOUSING MARKET ANALYSIS

TABLE 2
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
WAITE PARK MARKET AREA
(Number of Households)
2007 & 2012

	Age of Householder							
	Total	15-24	25-34	35-44	45-54	55-64	65 -74	75+
2007								
Less than \$15,000	5,349	1,165	840	623	400	622	483	1,217
\$15,000 to \$24,999	5,713	1,330	979	609	529	609	638	1,020
\$25,000 to \$34,999	6,129	1,129	1,262	938	819	677	694	609
\$35,000 to \$49,999	8,572	1,017	2,171	1,593	1,256	1,056	887	592
\$50,000 to \$74,999	11,079	671	2,969	2,669	2,232	1,447	699	391
\$75,000 to \$99,999	6,655	185	1,393	1,804	1,945	849	269	212
\$100,000 or more	7,300	147	1,007	1,615	2,717	1,275	338	201
Total	50,797	5,644	10,620	9,850	9,899	6,535	4,009	4,241
Median Income	\$49,361	\$27,894	\$50,490	\$60,888	\$71,779	\$55,249	\$38,195	\$23,863
2012								
Less than \$15,000	5,225	952	830	601	416	784	515	1,127
\$15,000 to \$24,999	5,574	1,112	941	604	483	723	668	1,044
\$25,000 to \$34,999	6,081	1,023	1,182	853	786	779	765	692
\$35,000 to \$49,999	8,895	1,020	2,177	1,464	1,243	1,360	969	662
\$50,000 to \$74,999	12,017	741	3,073	2,701	2,266	1,776	972	487
\$75,000 to \$99,999	7,647	219	1,792	1,832	2,027	1,154	386	238
\$100,000 or more	10,529	198	1,613	2,278	3,605	1,982	536	316
Total	55,968	5,264	11,609	10,334	10,827	8,559	4,811	4,566
Median Income	\$54,596	\$30,553	\$55,485	\$65,223	\$77,690	\$58,914	\$42,080	\$26,616
Change 2006 - 2012								
Less than \$15,000	-124	-213	-9	-22	16	162	32	-90
\$15,000 to \$24,999	-139	-218	-38	-5	-46	114	30	24
\$25,000 to \$34,999	-48	-106	-80	-85	-33	102	71	83
\$35,000 to \$49,999	323	3	6	-129	-13	304	81	70
\$50,000 to \$74,999	939	71	105	32	34	328	272	96
\$75,000 to \$99,999	992	34	399	28	82	306	117	26
\$100,000 or more	3,229	50	607	664	888	707	198	115
Total	5,171	-380	989	484	928	2,024	802	325
Median Income	\$5,235	\$2,659	\$4,995	\$4,335	\$5,911	\$3,665	\$3,885	\$2,753

Sources: Claritas, Inc.;
 Maxfield Research Inc.



- ▶ Younger senior households typically have a higher median income than older senior households because a greater percentage of younger seniors are still working or are two-person households (with greater income potential versus single-person households). While they typically have lower incomes, seniors often have equity in existing homes and greater savings that they can allocate toward new housing.
- ▶ The Market Area’s median household income is expected to increase by about 2% annually between 2007 and 2012, to \$54,600 in 2012.

Tenure by Age of Householder

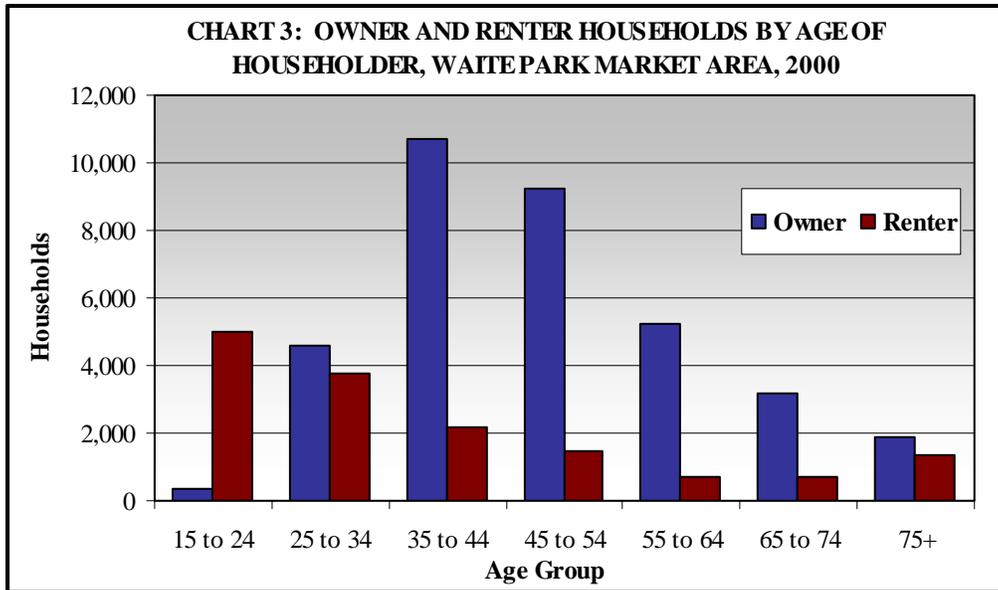
Table 3 shows the number of owner and renter households in the Market Area by age group in 1990 and 2000. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual’s life cycle. Key points derived from the table follow.

- ▶ Between 1990 and 2000, the homeownership rate increased slightly from 63% to 65%.
- ▶ A primary reason for the increasing homeownership rate during the decade was that most of the household growth was among householders ages 45 to 74 – or the age groups which typically have the highest homeownership rates.

TABLE 3 TENURE BY AGE OF HOUSEHOLDER WAITE PARK MARKET AREA 1990 & 2000							
Age of Householder		US Census Bureau				Pct. Change	
		1990		2000		1990-2000	
		No.	Pct.	No.	Pct.	No.	Pct.
15 to 24	Own	563	11.3	655	11.6	92	0.2
	Rent	4,406	88.7	5,012	88.4	606	0.1
25 to 34	Own	5,089	55.5	4,643	55.3	-446	-0.1
	Rent	4,087	44.5	3,756	44.7	-331	-0.1
35 to 44	Own	5,959	78.5	7,490	77.3	1,531	0.3
	Rent	1,633	21.5	2,197	22.7	564	0.3
45 to 54	Own	3,647	83.1	6,582	81.7	2,935	0.8
	Rent	741	16.9	1,472	18.3	731	1.0
55 to 64	Own	3,210	85.7	3,684	83.6	474	0.1
	Rent	536	14.3	723	16.4	187	0.3
65 to 74	Own	2,524	79.7	3,052	81.7	528	0.2
	Rent	641	20.3	682	18.3	41	0.1
75+	Own	1,717	60.5	2,253	62.4	536	0.3
	Rent	1,119	39.5	1,357	37.6	238	0.2
Total	Own	22,709	63.3	28,359	65.1	5,650	0.2
	Rent	13,163	36.7	15,199	34.9	2,036	0.2

Source: U.S. Census Bureau, Maxfield Research Inc.

- ▶ The proportion of households that rent their housing decreases significantly as households age. However, by the time households reach their senior years, rental housing often becomes a more desirable option than homeownership.
- ▶ We project that the homeownership rate will continue to remain again during this decade, due to several factors. Two primary factors are that the baby boom generation will remain in high homeownership stages of their lives (they will be ages 46 to 64 in 2010), and low mortgage rates are continuing to make ownership more affordable. We believe that these two factors will contribute to demand for multifamily for-sale housing in the Market Area, and the Waite Avenue Redevelopment Area has the potential to capture a portion of this demand.



For-Sale Multifamily Market Analysis

Existing Home Resale Values

Table 4 presents single-family homes listed for sale in the Waite Park Market Area as of July 2007. These figures were obtained by the St. Cloud Association of Realtors. This data is useful in that it sheds insight into the amount of equity that existing homeowners may be able to derive from the sale of their homes that they could use to purchase new multifamily housing. It also provides data on what alternative choices these potential residents would have should they choose to purchase existing housing.

The following are key points from Table 4.

- ▶ The table shows that the median price of actively listed single-family homes in the Sartell Market Area is \$199,900 and the average list price is \$246,300. It is important to note that median prices are generally a more accurate portrayal of the likely home equity, since average figures can be skewed by a few very high- or very low-priced homes.
- ▶ For age-restricted housing, this data shows how much a senior could derive from the sale of an existing single-family home. Because seniors tend to have older homes, we estimate that 80% of the median list price is a more accurate indicator of the typical price of a senior's home in the Market Area – or about \$159,900. A Market Area senior who sold their home at this price could earn about \$500 per month, which could be contributed to fees for senior housing (based on a sale price of \$159,900 and less 7% sales agent fees, and a 4% annual return on their investment). If a senior owned their home outright, the sale proceeds could cover a substantial portion of their monthly rent.

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- ▶ Homebuyers expect to pay a premium for new construction because of expected maintenance savings, reduced energy costs from newer construction techniques, and simply because buyers tend to prefer new construction. This resale data provides a baseline for pricing new multifamily product in the Market Area.

TABLE 4				
SINGLE-FAMILY HOMES ACTIVELY LISTED FOR SALE				
WAITE PARK MARKET AREA				
July 2007				
List Price	Waite Park		Remainder of MA*	
	Number	Percent	Number	Percent
Under \$100,000	2	8.0%	23	2.5%
\$100K to \$199,999	21	84.0%	447	48.6%
\$200,000+	2	8.0%	449	48.9%
Total	25	100.0%	919	100.0%
Median List Price	\$149,900		\$199,900	
Average List Price	\$149,548		\$246,326	
* Remainder of the MA includes the Cities of St. Cloud, Sartell, Avon, Cold Spring, Rockville, Sauk Rapids, and St. Joseph				
Sources: St. Cloud Association of Realtors; Maxfield Research Inc.				

Selected For-Sale Multifamily Housing Developments

Maxfield Research Inc. identified five competitive multifamily projects actively marketing in the Market Area. Of those, four developments are new townhome developments, primarily patio home style. We identified only one for-sale condominium-style development that was built in the 1980s. While this project would not be very competitive with a newer condominium development, data on the project is provided for comparison purposes.

Table 5 shows these projects with location, year built, unit mix, unit sizes, and pricing. Key points follow.

Condominium

- ▶ The pricing at the one condominium project identified ranges from \$69,900 to \$92,000 for a unit, or about \$78 to \$143 per square foot. While this project would not be competitive with a newly constructed, general occupancy condominium building at the redevelopment area, this information is included in this study because this pricing is what the market is currently paying for this type of unit.

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- ▶ Unit sizes at the one condominium project range from 631-square feet to 900-square feet. A newly constructed, general occupancy condominium building would have to offer units larger than this to be competitive.
- ▶ The fact that there is only one identified general-occupancy condominium actively marketing and that this project is over 20-years old suggests that there may be a limited market for such a product.

Townhome

- ▶ Most of the townhome units being marketed currently are detached patio homes, rather than attached townhomes. While some of these homes have basements, most are single level and provide the buyers with association-maintained housing in a single-family setting.
- ▶ The identified competitive patio homes range in price from about \$230,000 to \$340,000, or about \$154 to \$177 per square foot.
- ▶ These patio homes range in size from 1,300-square feet to 2,200-square feet.
- ▶ Stone Gate (also called Stirling Waters) is currently marketing 15 two-bedroom twinhomes. The units have a base price of \$196,000 for about 1,200-square feet.
- ▶ Heritage Point marketed 50 quad townhomes starting in 2004. All of the units sold. However, some Realtors interviewed said that the design of these units made them difficult to market, and that buyers preferred detached housing to a unit attached to two other units.
- ▶ Buyers of competitive townhomes have typically been empty nesters and seniors who are attracted to the single-level design and association maintenance. Very few buyers have been young singles and couples, who are typically attracted to single-family homes.
- ▶ Average absorption for these actively marketing developments has been below one unit per month in the last two years. This slow absorption reflects the overall slowdown in the housing market and the fact that buyers for these units often have to sell their existing single-family home to make the move into a patio or twinhome.

HOUSING MARKET ANALYSIS

**TABLE 5
SELECTED ACTIVE FOR-SALE MULTIFAMILY DEVELOPMENTS
WAITE PARK MARKET AREA
JULY 2007**

<u>Development/Location</u>	<u>Occp. Date</u>	<u>Units</u>	<u>Avail.</u>	<u>Unit Mix</u>	<u>Unit Size Square Feet</u>	<u>Base Pricing</u>	<u>\$/Sq.Ft.</u>	<u>Estimated Assoc. Fees</u>	<u>Comments</u>	
Condominium Developments										
The Meadows Condominium										
Waite Park	1984	48	5	1BR	631 - 650	\$89,900 - \$92,900	\$142 - \$143	\$132	Ext. Maint/Bldg, Lawn, Management, Snow Removal, Trash Service, Water	
			(Resales)	2BR	900	\$69,900 - \$72,900	\$78 \$81	\$132		
Townhome Developments										
Stone Gate (Stirling Waters)										
				<i>Patiohomes</i>						Located at 33rd Street South in St. Cloud. Project includes attached garages. Association fee includes snow removal, lawn and sprinkler maintenance.
Lumber One	2007	18	18	2BR	1,800	\$290,000	\$161	\$60		
St. Cloud				3BR	2,200	\$340,000	\$155	\$60		
				<i>Twinhomes</i>						
Phase I		15	15	2BR	1,200	\$196,000	\$163	\$60		
Windsor Greene										
				<i>One-Level Patiohomes</i>						Located on Waite Avenue off 2nd St. S. 22 lots currently available; 20 lots currently sold. After second phase, development will consist of a total of 86 lots.
Waite Park	2006	42	22	2BR	1,300	\$230,000	\$177	\$65		
Phase I				3BR	1,900	\$275,000	\$145	\$65		
Willow Ponds										
				<i>One-Level Patiohomes</i>						Located at Willow Pond Drive and 2nd Ave S. Includes stone fireplace, four-season porch, a den, vaulted ceilings, and in-floor heat.
Waite Park	2004	39	28	2BR	1,489	\$229,900	\$154	\$75		
Willow Run Plat 5										
Heritage Point										
Waite Park	2004	50	0	2BR	1,100 - 1,416	\$129,000 - \$169,000	\$117 - \$119	\$100	Located on Heritage Lane in Waite Park. Double attached garages, patios, in-floor heat, and central air. Association fee includes snow removal, lawn, and sprinkler maintenance.	
Source: Maxfield Research, Inc.										

Competitive Pending For-Sale Multifamily Developments

Maxfield Research Inc. surveyed city staff to identify pending and proposed for-sale multifamily developments that would be competitive with such housing in the Waite Avenue Redevelopment Area. We focused on the Waite Park, St. Cloud, and Sartell areas of the Market Area. Overall, we found few projects that would be competitive.

Waite Park

- ▶ According to building inspections officials, there are no pending or proposed for-sale multifamily developments in Waite Park. At this point, aside from the redevelopment area, there is limited land available for multifamily developments.

St. Cloud

- ▶ *Southern Ridge* is expected to begin marketing about 30 patio homes beginning in 2008. The project has yet to install utilities, but that is expected to happen in the fall of 2007.
- ▶ The proposal for *Paradise Park South*, on Clearwater Road, is expected to have a twinhome component with fewer than nine units in the first phase. This project is still going through the planning process and has yet to be approved by the city council.
- ▶ *Sun Villa Estates*, north of Stone Gate, is expected to start construction in the fall of 2007, although roads have yet to be installed. This project will consist of between 24 and 30 townhome units in three and four unit configurations.

Sartell

- ▶ Officials at the City of Sartell said that there has been little platting since the beginning of the year for all residential developments. *Sandstone Village* is continuing to market 86 attached and detached townhomes, with 18 permits pulled since platting in 2006. In addition, construction is expected to on the second phase of *Pine Cone Cottages* with 24 patio homes.

Rental Market Analysis

Table 6 shows information on competitive rental projects near the Waite Avenue Redevelopment Area. The table shows year built, number of units, monthly rents, unit sizes, and vacancies selected newer market rate, general-occupancy rental projects in the Market Area that would be most competitive with a new general-occupancy rental project in the Redevelopment Area.

- ▶ Of the 1,008 total units in the projects surveyed, 16 units were vacant, for a vacancy rate of 2.3%, which is below equilibrium (considered to be 5%). This fact suggests that there is demand potential for additional rental housing.

HOUSING MARKET ANALYSIS

**TABLE 6
SELECTED COMPETITIVE MARKET-RATE APARTMENTS
WAITE PARK MARKET AREA
JULY 2007**

City/ Project Name	Year Built	No. of Units	No. Vacant	Unit Mix	Sq. Ft.	Rent	Average Rent/Sq. Ft.	Features/Amenities
Parkbury Villa 140 15th Ave. N. Waite Park	2000	162	0 0.0%	Studio 1BR+D 2BR 3BR	350 - 350 630 - 735 912 - 1,000 1,300 - 1,320	\$405 - \$415 \$545 - \$585 \$912 - \$1,000 \$1,250 - \$1,320	\$1.16 - \$1.19 \$0.87 - \$0.80 \$1.00 - \$1.00 \$0.96 - \$1.00	Common laundry; parking spaces; fitness center; garage; pool, high- speed internet; whirlpool; sauna; playground; lounge
Legacy Apartment Homes of Waite Park 248 3rd St. S. Waite Park	1975*	119	4 3.4%	1BR+D 2BR 3BR	750 - 750 1,040 - 1,040 1,160 - 1,225	\$545 - \$580 \$645 - \$680 \$745 - \$820	\$0.73 - \$0.77 \$0.62 - \$0.65 \$0.64 - \$0.67	Garage; laundry facilities; fitness center; pool; sauna; playground; volleyball; picnic tables; basketball; lounge
Goetten's Grove Apartments and Townhomes 2613 16th St. S. St. Cloud	2003	80	6 7.5%	20 1BR 34 2BR 26 3BR	430 - 780 875 - 1,030 895 - 1,075	\$440 - \$685 \$705 - \$785 \$895 - \$1,075	\$1.02 - \$0.88 \$0.81 - \$0.76 \$1.00 - \$1.00	Common laundry; parking spaces; fitness center; garage; pool, high- speed internet; whirlpool; sauna
Heritage Park Estates 3600 W. St. Germain St. Cloud	2003	150	1 0.7%	47 1BR 95 2BR 8 3BR	705 - 940 825 - 1,630 1,280 - 1,745	\$710 - \$825 \$1,050 - \$1,385 \$1,065 - \$1,250	\$1.01 - \$0.88 \$1.27 - \$0.85 \$0.83 - \$0.72	3rd floor vaulted ceilings; AC; balconies; covered parking; extra storage; fireplaces; fitness center; in unit W/D
Westwood Parkway Estates 6120 Westwood Pkwy. St. Cloud	2003	179	5 2.8%	41 1BR 110 2BR 28 3BR	723 - 837 916 - 1,010 1,253 - 1,393	\$665 - \$740 \$775 - \$975 \$990 - \$1,100	\$0.92 - \$0.88 \$0.85 - \$0.97 \$0.79 - \$0.79	Common laundry; parking spaces; fitness center; garage; pool, high- speed internet; whirlpool; sauna
*Built in 1975; renovated in 2003								
Source: Maxfield Research Inc.								

HOUSING MARKET ANALYSIS

- ▶ Monthly rents at the projects for one-bedroom units range from \$444 to \$845 (typically between \$0.72 and \$1.00 per square foot). Two-bedroom units range from \$645 to \$1,385 (\$0.62 to \$1.00 per square foot). Three-bedroom units range from \$745 to \$1,320 (\$0.64 to \$1.00 per square foot).
- ▶ Property managers said that rents have been flat in recent years as the market still had many vacancies. More recently, the market has gotten tighter, and managers have been raising rents slightly.
- ▶ Property managers said they see a wide range of residents, including students who do not want to live by the campus, young professionals, both singles and couples, and some seniors.
- ▶ Amenities at the competitive projects include fitness centers, outdoor basketball and tennis courts, laundry facilities, swimming pools, saunas, and whirlpools. Some of the projects include enclosed parking, but most have parking lots.

Pending Rental Developments

Maxfield Research Inc. surveyed city staff and property managers to identify pending rental developments in the Market Area. We identified no pending rental developments.

Senior Housing Analysis

Because the goal of this redevelopment is to establish a new activity center for the City of Waite Park, independent senior housing – that is adult/few-service and congregate senior housing – is the primary senior housing alternative being considered for this development. However, it is important to understand how this type of housing differs from other senior housing available. The discussion that follows outlines senior housing in general. Following this discussion, the focus is on independent senior housing only.

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes a spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. For analytical purposes, Maxfield Research Inc. classifies senior projects into four categories based on the level and type of services offered.

- ▶ ***Adult*** projects are similar to a general-occupancy apartment or condominium building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and a transportation program are usually all that are available at these projects. Because of the lack of services, Adult/Few-Services projects typically do not command the rent premiums of more service-intensive senior housing.

This product has been one of the most popular types of senior housing developed in recent years because it appeals to seniors who do not need services, but desire to downsize their housing and/or rid themselves of home maintenance. Unlike other more service-intensive senior developments which are primarily rental, adult projects come in a variety of forms: single-family homes in an age-restricted subdivision, age-restricted townhome communities, condominiums, cooperatives and apartment buildings.

- ▶ **Congregate** projects offer support services, such as meals and/or housekeeping. In some buildings, the services are available on an optional basis so those residents who do not need them do not have to pay for them. In others, services are included in the monthly rents. These projects generally have more common areas and usually attract a slightly older, frailer population than “adult” housing. The typical residents are persons in their late 70s or early 80s. They tend to have higher monthly costs (due to the service component) and sometimes require an entry fee. Sponsorship by a religious or health care organization is common. In recent years, some congregate projects have added the availability of personal care services to accommodate an aging resident population. The majority of congregate developments are positioned as rentals since most prospective residents (and their families) do not wish to have the commitment of home ownership. A few condominiums and cooperative developments do offer some limited supportive services, however, typically on an optional basis. These services are usually added as the development’s population ages in place.
- ▶ **Assisted Living** facilities come in a variety of forms, but the target market for most is very frail seniors, generally age 75 or older (but can be much younger, depending on their health situation), who are in need of extensive support services. Absent an assisted living option, these seniors may otherwise need to move to a nursing facility. At a minimum, assisted living projects include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living facilities also have either staff on duty 24 hours per day or at least 24-hour emergency response.

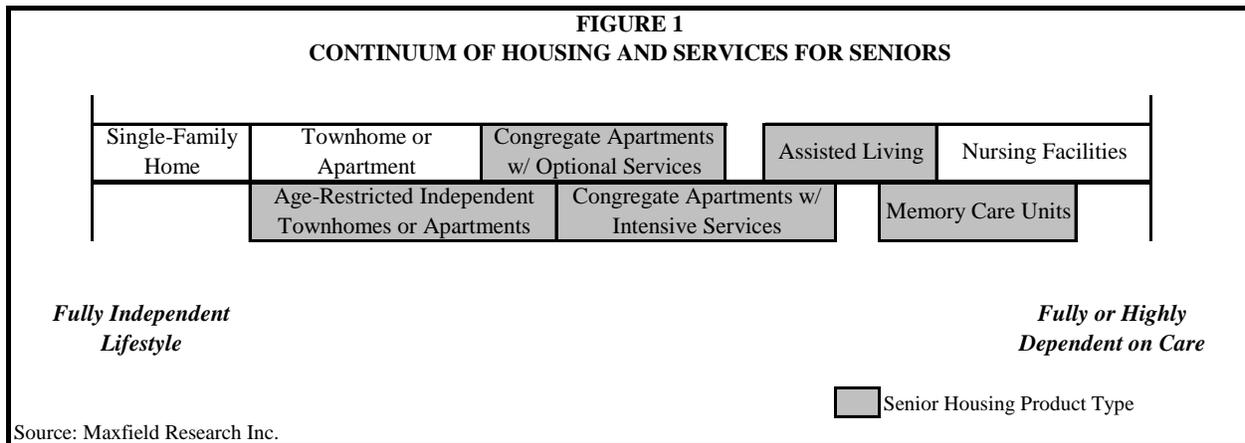
Some assisted living facilities offer self-contained dwelling units similar to a regular senior apartment building with full kitchens and spacious rooms. Projects offering kitchens in the units may include only two meals per day while those without kitchens in the units generally provide three meals per day. Other projects do not have kitchens and are merely updated versions of board-and-care facilities with sleeping units and communal living spaces. Monthly fees vary depending on the number and type of services included, and the size of the units, but most facilities have fees starting at roughly \$2,000 per month. Virtually all assisted living housing is rental.

- ▶ **Memory Care** facilities, designed specifically for persons suffering from Alzheimer’s disease or other dementias, are one of the newest trends in senior housing. Most facilities consist of suite-style or studio apartment units (although usually with no kitchen facilities), and large communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by this population, staffing ratios are much higher than traditional assisted living. Thus, the costs of care are also higher. Typical monthly fees for memory

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care units start at about \$3,000 per month. However, unlike conventional assisted living, which deals almost exclusively with widows or widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.

As Figure 1 shows below, the senior housing products available today, when combined with long-term care facilities, form a full continuum of care from virtually no services to an intensive service level.



Independent Senior Housing

Table 7 shows a survey of competitive independent senior housing in the Market Area. Key points from the table follow.

- ▶ The two adult/few services projects in the Market Area combine for 122 units. The *Park Villa* development includes 72-unit senior rental apartments for those ages 55 and over and 24-unit tax-credit work force townhomes. As of June 2007, the *Park Villa Apartments* have 2 units vacant. *Park Villa* is located adjacent to the Redevelopment Area.
- ▶ *Realife Cooperative at Mueller Gardens* is a 50-unit, 3-story senior cooperative, which just opened for occupancy in May 2006 and currently has 8 units remaining for sale despite a marketing effort that is going into its fourth year. According to the resident services manager, sales have been slow due to a large increase in the supply of single-level, for-sale townhomes in the St. Cloud area.
- ▶ The two adult projects are very different in character and positioning. The older *Park Villas* is a mixed-income rental project that features townhome-style units with private entrances, attached garages, no common areas, and modest rents. The *Realife Cooperative at Mueller Gardens* is a brand new, three-story building with a number of common area amenities and is owner-occupied.

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**TABLE 7
INDEPENDENT LIVING PROJECTS
WAITE PARK MARKET AREA
JULY 2007**

Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing			Resident Profile	Comments	
				Unit Mix	Size (Sq. Ft.)	Monthly Rent/ Fee			Rent Per Square Foot
Adult/Few-Services Projects									
Realife Cooperative at Mueller Gardens¹ 6670 Northwood Ln <i>St. Cloud</i>	2006	50	8	3 - 1BR	702 - 852	\$588 - \$715	\$0.84 - \$0.84	Avg. age = mid 70s mostly couples	New, three-story building. Opened May 2006.
				47 - 2BR	1,067 - 1,452	\$910 - \$1,250	\$0.85 - \$0.86		
Park Villas² 490 3rd St S <i>Waite Park</i>	1992	72	2	16 - 1BR	683 - 730	\$590 - \$630	\$0.86 - \$0.86	Avg. age = 75, 10 couples	Tax-credit townhome project; adjacent to 24-unit rental townhomes.
				48 - 2BR	896 - 964	\$670 - \$763	\$0.75 - \$0.79		
				8 - 3BR	1,071 - 1,263	\$754 - \$842	\$0.70 - \$0.67		
Adult/Few Services Total		122	10	8.2%					
<i>Total (less Realife Coop)</i>		<i>72</i>	<i>2</i>	<i>2.8%</i>					
Congregate Projects									
Park Gardens 114 1st St N <i>Waite Park</i>	1984	72	1	60 - 1BR	645 - 705	\$716	\$1.02 - \$1.11	Avg. age = 85	3-story building attached to Sterling Park A.L. About 6 residents use HRA voucher.
				12 - 2BR	882 - 1,000	\$816	\$0.82 - \$0.93		
Benedict Village 2000 15th Ave SE <i>St. Cloud</i>	1986/ 92/97	95	0	41 - 1BR	511 - 762	\$714 - \$976	\$1.28 - \$1.40	Avg. age = low 80's 8 couples	On campus with assisted living and skilled care.
				54 - 2BR	862 - 952	\$999 - \$1,166	\$1.16 - \$1.22		
Continued									

HOUSING MARKET ANALYSIS

**TABLE 7
INDEPENDENT LIVING PROJECTS
WAITE PARK MARKET AREA
JULY 2007
(Continued)**

Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing			Resident Profile	Comments	
				Unit Mix	Size (Sq. Ft.)	Monthly Rent/ Fee			Rent Per Square Foot
Congregate Projects (Continued)									
Shepherd Court Apts 330 13th St N <i>Sauk Rapids</i>	1986	53	4	40 - 1BR 13 - 2BR	553 - 662 665 - 787	\$800 - \$865 \$900 - \$975	\$1.31 - \$1.45 \$1.24 - \$1.35	Avg. age = low 80's few couples	On campus with skilled care, subsidized housing, and memory care cottages.
Country Manor 520 1st St NE <i>Sartell</i>	1976/80 1986/96	155	5	7 - 0BR 98 - 1BR 50 - 2BR	389 484 - 705 905	\$825 \$980 - \$1,170 \$1,180 - \$1,345	\$2.12 \$1.66 - \$2.02 \$1.30 - \$1.49	Avg. age = 86, mostly singles	On campus with assisted living & skilled care, estimated 15% of residents receive EW/ACG.
Skylight Gardens 501 1st St N <i>St. Cloud</i>	1985 (converted)	59	2	49 - 1BR 10 - 2BR	420 - 588 600	\$630 - \$705 \$785	\$1.20 - \$1.50 \$1.31	Avg. age = 81	Historic renovated warehouse building located downtown, 20 residents with EW/ACG.
Congregate Total		434	12	2.8%					
<p>¹ Mueller Gardens is a limited-equity cooperative. Therefore, residents must purchase a share in the cooperative that entitles them to a specific unit. The value of the share increases by an established amount each year. When the owner of the share decides to sell, they receive their initial payment plus any yearly increases (between \$677 to \$1,403 depending on the unit). As of 2007, share prices range from \$25,454 for the smallest 1BR unit to \$53,141 for the largest 2BR unit. Monthly fees cover the unit's outstanding mortgage principal, interest, insurance, taxes, heat/gas, water/sewer/trash, and maintenance for the common areas.</p> <p>² Some units are income-restricted.</p>									
Source: Maxfield Research Inc.									

- ▶ Monthly rents average about \$620 for one-bedroom units and \$720 for two-bedroom units.
- ▶ The average age of the residents in adult projects is usually younger than assisted living and congregate projects. In the two projects surveyed, the average age was in the early 70s and most of the residents are couples.
- ▶ Both adult projects are freestanding developments not affiliated with or located nearby another senior housing component.

Congregate Projects

- ▶ The five congregate projects combine for 434 units, of which 12 units were vacant in June 2007, for an overall vacancy rate of 2.8%.
- ▶ Although the overall vacancy at the surveyed projects is well below 5%, which is widely regarded as the equilibrium point in most markets, representatives at two facilities stated that their communities have delayed plans to expand their independent living components because of an increasingly competitive market, i.e. single-level, for-sale townhomes in the St. Cloud area.
- ▶ All five congregate projects are more than 20-years old, though two of the five projects (*Benedict Village* and *Country Manor*) have expanded several times over the years with their most recent expansions occurring in the mid-1990s.
- ▶ Base monthly rents at the congregate projects are very competitive and start around \$715 and range up to \$1,350, depending on unit size. In other metropolitan markets, these rents would typically not include any services at all, much less the option to purchase services. In the Waite Park Market Area, providers have become very aggressive at leveraging the economies of scale from their campus environments and can offer consumers an excellent value at a competitive price. Four of the five congregate projects include weekly house-keeping in the rent and offer a full complement of meals along with access to campus amenities such as transportation and activities.
- ▶ Rents are also held down by the fact that the projects are older and lack many in-unit amenities sought by today's market, such as dishwashers, washer/dryer, walk-in closet (ample storage), and balconies/patios.

Competitive Pending Senior Developments

In order to assess future market conditions for senior housing in the Market Area, Maxfield Research Inc. interviewed city officials throughout the Market Area and other sources in the senior housing industry to determine if there are any pending senior housing developments that may impact the proposed development.

HOUSING MARKET ANALYSIS

We identified two pending proposals in the Waite Park Market Area. None of them are included in the demand calculations as one of them is an affordable project which would not be competitive with a market-rate project in the Redevelopment Area and the other is simply too preliminary to consider.

Sartell

- ▶ Accessible Space Inc. of St. Paul has proposed to build a 44-unit HUD 202 independent living building near the intersection of 22nd Street South and Troop Drive in Sartell. Although this project would be located about one mile east of the subject Site, it will be restricted to very low-income senior households (50% or less of Area median income) and will lack any services. Therefore, it is not considered competitive with the proposed project. All of the units will have only one-bedroom, except for one two-bedroom unit set aside for the building manager/caretaker. Waiting for building permits, Accessible Space hopes to begin construction this year.

St. Cloud

- ▶ Planning staff at the City of St. Cloud said they were recently approached by a developer considering building a 30- to 40-unit senior rental building at a site near the St. Benedicts' Village development. This project is still very preliminary.

Interviews with Realtors and Property Managers

Maxfield Research Inc. interviewed Realtors and property managers to assess the multifamily market in the Market Area and to hear opinions on what would work best at the Waite Avenue Redevelopment Area. Key points from the interviews follow.

For-Sale Multifamily

- ▶ Realtors said that the number of levels in a townhome unit can determine the buyer. For example, middle-aged and senior buyers do not want to have to climb stairs and prefer single-level townhomes and patio homes. These buyers are typically willing to pay more for a maintenance-free home.
- ▶ Younger buyers are willing to buy multilevel townhomes, but the price points have to be low enough. These buyers typically prefer single-family homes over attached product.
- ▶ One realtor said that the key to marketing multilevel rowhomes is affordability. In the St. Cloud Metro Area most buyers can still afford a new single-family home. As a result, there has been little demand for multilevel attached townhomes. There does not appear to be a glaring need for this type of product.
- ▶ Realtors said that, currently, there is a glut of single-family houses priced lower than what would be needed to build multi-level townhomes at the Site.

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- ▶ Like all housing, absorption of townhomes in the area has slowed in the past 18 months, according to many Realtors. One realtor said that prices for townhomes have been declining recently in the St. Cloud Metro Area.
- ▶ Local realtors said multi-level townhomes would have to be priced in the \$175,000 to \$250,000 range. Even with that pricing, however, the Realtors said that absorption would take some time in this market.
- ▶ In the St. Cloud Metro Area, buyers have wanted association-maintained housing, but have not wanted attached housing. The result is an increase in the number of patio homes being marketed. This product currently outnumbers attached townhomes.
- ▶ When asked about a condominium concept at the Site, many of the realtors said the concept might work. However, there are no newer condominium projects currently marketing, so it would be untested.
- ▶ Realtors said that seniors would be the primary buyers of condos. They said that the Site has the benefit of being within walking distance to Crossroads Shopping Center which would be desirable to seniors.

Rental

- ▶ In general, property managers said there is potential for rental at the Redevelopment Area.
- ▶ Currently, area property managers of recently constructed apartment complexes are experiencing very low vacancies and are typically re-leasing units immediately upon turnover.
- ▶ Within the past six months, property managers have raised rents from \$5 to \$25. There is currently high demand for newly constructed rental units in the area, according to property managers.

Senior

- ▶ One area property manager of a senior complex expressed that the Site would be good for senior housing because of its close proximity to the shopping and St. Cloud. Vacancies for market-rate independent living are consistently low, signifying high demand. However, there is currently not as much demand for assisted living or memory care housing and the vacancy rate is higher for those units.
- ▶ One senior housing manager said that there are more vacancies lately because of the slow housing market. Potential residents of senior housing are having a difficult time selling their homes and do not want to have to carry housing expenses for two residences at the same time.

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- ▶ A senior housing manager said the Site would benefit from excellent exposure to the market. She said her property is perceived as being too far from services even though it is only four miles from downtown St. Cloud.
- ▶ The manager at Realife Cooperative estimated that 25% of her residents have more than one home. She said her property tends to attract residents with higher incomes. (The cooperative also has an income minimum.)
- ▶ One manager said that she has heard that mixed-use buildings have had mixed reviews from residents. Some residents like having retail and offices on the first floor because it is convenient. Others felt like the commercial uses were an “invasion of privacy.”

Housing Demand Analysis

Demand for General-Occupancy For-Sale Multi-Family Housing

Table 8 shows for-sale multifamily housing demand calculations for the Waite Park Market Area between 2007 and 2015, and the estimated number of units supportable at the Waite Avenue Redevelopment Area over this period. The following points summarize our demand calculations.

- ▶ According to projections, the Market Area is expected to grow by 9,500 households between 2007 and 2015 (see Table 1). Based on homeownership trends, we estimate that 75% of the demand will be for for-sale housing, resulting in demand for 7,125 for-sale units between 2007 and 2015.
- ▶ Of the demand for ownership housing, we estimate that 33% will be for multifamily ownership housing. This estimate is based on the supply of new housing already in the market, household growth trends in age groups that are attracted to this type of housing, and the fact that new multifamily housing may be more affordable than new single-family housing.
- ▶ From this figure, we subtract projected age-restricted demand growth for for-sale units between 2007 and 2015, shown in Table 10, which leave demand for 2,300 general-occupancy for-sale multifamily units between 2007 and 2015.
- ▶ From this figure, we estimate 8% of demand will be in the City of Waite Park. This estimate is based on household growth trends shown in Table 1 and the competition from other communities.

HOUSING MARKET ANALYSIS

TABLE 8
PROJECTED DEMAND FOR GENERAL-OCCUPANCY
FOR-SALE TOWNHOME AND CONDOMINIUM UNITS
WAITE PARK MARKET AREA
2007 to 2015

	Total	Side by Side Multilevel Townhomes	Twinhomes & Detached Patio Homes (Single Level)	Condominiums (Single Level)
Projected new housing unit demand from household growth, 2007 to 2015	9,500			
(times) Estimated ownership demand	x <u>75%</u>			
(equals) Projected Market Area demand for new for-sale housing units	= 7,125			
(times) Estimated percent of units that will be for multifamily	x <u>33%</u>			
(equals) Projected study area demand for new multifamily housing units	= 2,351			
(minus) Portion of demand for new for-sale senior housing units (see Table 10)	- <u>25</u>			
(equals) Projected demand for new for-sale general-occupancy multifamily housing	= 2,326			
(times) Percent of growth capturable in the City of Waite Park	x <u>8%</u>			
(equals) Projected demand for new for-sale multifamily housing in Waite Park	= 174			
(times) Estimated percent of units by type **	x	<u>10%</u>	<u>85%</u>	<u>5%</u>
(equals) Estimated demand in the Market Area, 2007 to 2015	=	17	148	9
(plus) Demand from outside the Market Area (20%)	+	<u>4</u>	<u>37</u>	<u>2</u>
	=	22	185	11
(less) Competitive units marketing or pending in the City of Waite Park **	-	<u>0</u>	<u>83</u>	<u>5</u>
(equals) Total demand for multifamily housing in City of Waite Park	=	22	102	6
(times) Estimated percent of demand capturable at the Site, 2007 to 2015	x	33% - 50%	33% - 50%	75% - 100%
(equals) Units supportable at Site		7 - 11	34 - 51	4 - 6
* Product type is assumed to be either single level or with main-level living configuration.				
** Includes units actively marketing or under construction and projects likely to move forward.				
Source: Maxfield Research Inc.				

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- ▶ We divide multifamily demand into product types – side-by-side, multilevel townhomes; attached and detached single-level townhomes; and condominiums.
- ▶ Based on current absorption trends and interviews with Realtors, we estimate that 10% of new multifamily housing units demanded will be multilevel units, 85% will be attached and detached single-level units, and 5% will be condominium units.
- ▶ We estimate that about 20% of demand will come from outside the market area. This additional demand is added into the demand calculation.
- ▶ Any one location, including the Waite Avenue Redevelopment Area, can only capture a portion of the demand. Capture rates for the redevelopment are adjusted based on the strengths and weaknesses of the area, and the characteristics and target markets of the specific housing type.
- ▶ Based on our estimates, we find demand for less than 12 multilevel townhome units, 35 to 50 attached and detached single-level townhome units, and about five condominium units.

Demand for General-Occupancy Rental Housing

Table 9 shows demand calculations for general-occupancy rental housing in the Market Area for 2007 through 2015, and estimates the number of additional units supportable in Waite Avenue Redevelopment Area over this period. A description of these estimates follows.

- ▶ As with the demand estimates for for-sale housing, we start with the projected household growth in the Waite Park Market Area between 2007, and 2015. From this growth, we estimate 25% will be for rental housing, based on homeownership trends in the Market Area, resulting in demand for 2,375 new rental units between 2007 and 2015.
- ▶ From this demand, we subtract the increase in senior rental demand over these periods. These figures are calculated in Table 10. Subtracting these estimates leaves demand for 2,300 rental units between 2007 and 2015.
- ▶ We estimate that 8% of this demand will be in the City of Waite Park, based on household growth trends shown in Table 1.
- ▶ Between 2007 and 2015, we estimate the Waite Avenue Redevelopment Area will capture between 45% and 55% of new rental demand, or between 80 and 100 units of rental housing.

TABLE 9 PROJECTED DEMAND FOR GENERAL-OCCUPANCY RENTAL HOUSING WAITE PARK MARKET AREA 2007 to 2015	
Projected new housing unit demand from household growth, 2007 to 2015	9,500
(times) Estimated rental demand	x <u>25%</u>
(equals) Projected Market Area demand for new rental housing units	= 2,375
(minus) Demand for age-restricted rental units	- <u>70</u>
(equals) Projected demand for general-occupancy rental units	= 2,305
(times) Estimated percent of units capturable in City of Waite Park	x <u>8%</u>
(equals) Projected study area demand housing units	= 184
(times) Estimated percent of demand capturable at Redev. Area	x 45% - 55%
(equals) Units supportable at Site	83 - 101
Source: Maxfield Research Inc.	

Demand for Adult/Few Services Senior Housing

Table 10 presents our demand calculations for market-rate adult/few services senior housing in the Waite Park Market Area in 2007 and 2012. The table calculates demand based on senior households with incomes of at least \$25,000 as well as households whose incomes would rise to this level from the sale of a home. The methodology is described below.

- ▶ The potential age/income qualified base for market rate adult/few services senior housing in 2007 includes all older adult and senior households (age 55+) with incomes of \$25,000 or more, plus households with incomes of between \$20,000 and \$25,000 who would qualify with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in the Market Area in 2007 to be about 11,000 households.
- ▶ Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households ages 55 to 64 up to 14.0% of households age 75 and over in 2007) results in a local demand potential for approximately 850 market-rate adult/few services senior housing units in 2007.
- ▶ Additional demand will come from outside the Market Area. We estimate that 25% of the demand for adult/few services senior housing will be generated by seniors currently residing outside the Market Area. This demand will consist primarily of parents of adult children living in the Market Area, individuals who live just outside the Market Area and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Market Area seniors and demand from seniors outside the Market Area results in total demand potential for around 765 adult/few services senior housing units in 2007.

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TABLE 10
MARKET-RATE INDEPENDENT SENIOR HOUSING DEMAND
WAITE PARK MARKET AREA
2007 & 2012

	2007			2012		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$25,000/\$30,000 in 2012	5,304	2,888	2,005	6,662	3,245	2,049
(plus) # of Households w/ Incomes of \$20-\$25k/\$25-30k in 2012	+ 304	319	510	+ 339	337	304
(times) Homeownership Rate	x 84%	82%	62%	x 84%	82%	62%
(equals) Potential Market	= 255	261	318	= 284	275	190
(equals) Total Potential Market Base	= 5,559	3,149	2,323	= 6,946	3,520	2,239
(times) Potential Capture Rate	x 0.5%	7.0%	14.0%	x 0.5%	7.5%	15.0%
(equals) Potential Demand	= 28	+ 220	+ 325	= 35	+ 264	+ 336
	}			}		
Total Local Demand Potential	=	573		=	635	
(plus) Demand from Outside Market Area (25%)		+ 191			+ 212	
(equals) Total Demand Potential		= 765			= 846	
	Rental	Owner		Rental	Owner	
(times) Demand for each type of housing	x 85%	15%		x 80%	20%	
(equals) Total demand for each type of housing	= 650	115		= 677	169	
(minus) Existing Market Area Competitive Units*	- 481	48		- 481	48	
(equals) Total Market Area Independent Demand Potential	= 169	67		= 196	121	
(times) Estimated percent capturable by Site in City of Waite Park	x 33%	33%		x 33%	33%	
(equals) Demand in City of Waite Park	= 56	22		= 65	40	
(times) Estimated percent capurable by Redevelopment Area	x 80%	80%		x 80%	80%	
(equals) Total Demand at Site	= 45	18		= 52	32	

* The number of competitive units listed in Table 5 are decreased by 5% to account for the vacancy factor.

Source: Maxfield Research Inc.

HOUSING MARKET ANALYSIS

- ▶ In 2007, we estimate that 85% of the overall demand for market-rate adult/few services senior housing is for rental housing, and we estimate the remaining 15% of overall demand towards market-rate for-sale senior housing, including condominiums and cooperatives. This results in projected demand for 760 units of market-rate rental housing and 375 units of owner-occupied housing in the Market Area in 2007.
- ▶ A portion of the demand for each type of senior housing product is being met by existing projects in the Market Area. Subtracting all units at the existing projects (less a 5% vacancy factor) results in additional demand for 170 rental adult/few services senior housing and demand for 70 additional units of for-sale housing in 2007.
- ▶ Next, we estimate the City of Waite Park would capture about 33% of demand.
- ▶ No one location or project can capture all of the Waite Park demand. Based on the location of the redevelopment area and the orientation of renters/buyers, we project that for-sale housing on the Site would capture 85% of the city's demand, or about 45 units of rental housing and 20 units of for-sale housing in 2007.
- ▶ For the calculations for 2012, we increase demand for owner-occupied few-service senior housing relative to rental housing. We believe this Market Area will follow similar trends seen in the overall Metro Area, where for-sale senior housing has become popular with seniors seeking this type of housing.
- ▶ In 2012, this calculation results in demand for about 52 units of rental housing and demand for 32 units of for-sale senior housing in the Market Area.

Introduction

This section of the study examines the retail market potential for the Waite Avenue Redevelopment Area. We review the strengths and weaknesses of the Site for retail uses, define a market area for retail demand, examine economic factors driving demand for retail, and discuss the competitive market. Finally, we estimate demand for retail in the Market Area generally and at the redevelopment area specifically.

Strengths and Weaknesses of the Site for Retail Uses

Maxfield Research Inc. analyzed the Waite Avenue Redevelopment Area to assess strengths and weaknesses for retail use. A summary of this analysis follows.

Strengths

- ▶ **Proximity to Crossroads Shopping Center.** Crossroads Shopping Center would serve as an anchor for retail development at the Site. The proximity to this regional shopping center would be a draw for retailers to the Site.
- ▶ **Proximity to Division Street North.** As one of the main retail corridors in the St. Cloud Metro Area, Division Street North would serve as a draw for retailers. While much of the Site is not directly on this street, retailers would still appreciate the location.
- ▶ **Good and improving traffic counts.** Traffic counts along Division Street North, 3rd Street North, and Waite Avenue already support retail. With the planned connection of Waite Avenue and 44th Avenue, the redevelopment area will see an additional boost in traffic, improving the desirability of retail sites in the area.
- ▶ **Relatively good access from Waite Avenue.** Unlike some sites along Division Street North, which are limited to right-in-right-out access, the redevelopment area would have excellent access from Waite Avenue. As long as access can be maximized along Waite Avenue, the redevelopment area may have even better access than some of the sites directly on Division Street North.

Weaknesses

- ▶ **Visibility.** While the Site would have excellent access, visibility from Division Street North and 3rd Street North would be less than ideal. (Visibility for traffic along Waite Avenue would be excellent.) This issue could be remedied through the use of appropriate signage at the intersections where Waite Avenue crosses Division Street North and 3rd Street North.
- ▶ **Location west of Crossroads Shopping Center.** National retailers have tended to locate directly south and east of Crossroads Shopping Center in St. Cloud and along 2nd Street South in St. Cloud and Waite Park. The stretch of Division Street North west of Crossroads Shopping Center, because it sees less traffic, has been dominated by local retailers and of-

fice users. However, with the increase in traffic brought about by the Waite Avenue and 44th Avenue connection and because of its direct proximity to the Crossroads Shopping Center, we believe retailers would be willing to locate at the Site, despite the perception that these sites are not as good.

Market Area Definition

We define the market area for retail the same as for housing. The map of the Market Area is shown on Page 15.

The St. Cloud Metro Area serves as a regional center for a large draw area that covers a large portion of central Minnesota. Through an analysis of retail sales tax revenues from the Minnesota Department of Revenue and the Market Area consumer expenditures (shown in Tables 11 and 12), we estimate that about 20% of consumer expenditures for retail goods are driven by households outside of the Market Area. This demand is accounted for in the demand calculations.

Consumer Expenditures

Retail goods are usually divided into three categories of goods: neighborhood, shopping and specialty goods. Neighborhood (convenience) goods are those that are bought frequently and are therefore usually purchased where it is most convenient to buy them, usually near home or work (food, personal care goods and services, pharmaceuticals, alcoholic beverages). Shopping goods are those that shoppers will take more care and spend greater effort to purchase and for which they prefer to have a comparative selection so that quality, types and price can be compared. Specialty goods are those for which shoppers expend the greatest effort and for which there is little competition (unique goods or items for which there are few substitutes or alternatives). The draw area for shopping, and therefore, its size, is affected by the availability of such goods.

The draw area for most neighborhood goods in a suburban area is less than two miles. Shopping goods retailers and specialty goods retailers are fewer and farther apart than neighborhood retailers. As such, the draw area for both shopper's goods and specialty items is much larger, typically five or more miles in a suburban setting. In the case of the Waite Park Market Area, customers of shopping and specialty goods drive from smaller communities up to 50 or more miles away.

Historically, most retail stores were independently owned and located in individually owned buildings in a downtown. Today, most retail stores are national retailers that are located in shopping centers along major highways. Shopping centers are classified into three categories: Neighborhood, Community, and Regional shopping centers.

- ▶ *Neighborhood Centers* range from about 30,000- to 180,000-square feet and are typically anchored by a grocery store and/or drug store. These centers serve the day-to-day shopping

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needs of surrounding neighborhoods within a one- to two-mile radius (serving 10,000 to 40,000 people) in a metro setting but much farther in a rural area.

- ▶ **Community Centers** typically have between 180,000- and 500,000-square feet, although some newer “power centers” are larger, with up to 800,000-square feet. Community centers are usually anchored by a discount and/or department store and include a variety of smaller tenants. Power centers have multiple large format “big-box” stores, or category killers with few, if any smaller stores. Power centers are included in the community center inventory for data shown later in this study. Community centers draw from a larger geographic area and serve a population of up to 150,000.
- ▶ **Regional Centers** range from about 300,000- to 1.2-million-square feet of gross leasable area and must include at least one (usually two or more) major department store, along with a variety of additional shops. Most regional centers are enclosed malls, such as Crossroads Shopping Center. However, some of today’s new power centers have draw areas similar to a traditional enclosed mall. These shopping centers have the largest draw areas among the three shopping center classifications and typically serve a population of about 250,000 or more. The St. Cloud Area has one regional center – Crossroads Shopping Center – but no other community center. This will likely be the case for a decade or more since the St. Cloud Area will not see enough growth in its consumer base to support an additional regional or community center.

The proposed development at the Waite Avenue Redevelopment Area would be classified neighborhood center, with a mix of neighborhood, shopping goods, and specialty goods retailers.

Tables 11 and 12 show consumer expenditures for retail goods and services in the Market Area in 2006 and 2011, according to data obtained from Claritas, Inc. This data is used to calculate demand for retail space, based on projected population growth in the area and the resulting growth in consumer expenditures.

The following are key points from the consumer expenditure data.

- ▶ Market Area consumers are estimated to have spent \$2 billion in 2006 on the retail goods and services shown in Table 11 (this excludes housing, insurance, health care, and education). Average annual expenditures were estimated to be about \$40,000 per household and \$15,000 per capita in the Market Area.
- ▶ Between 2006 and 2011, consumer expenditures are projected to grow by 31% in the Market Area. That growth will be driven by household growth along with an increase in average retail expenditures by household. Average household expenditures are projected to increase by 20% over the period.

TABLE 11
HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
WAITE PARK MARKET AREA
2006

<u>Category</u>	Annual Expenditures		
	Total (\$000's)	Average Per HH	Average Per Capita
Food at Home	273,449	5,495	2,061
Food Away from Home	246,626	4,956	1,859
Alcoholic Beverages at Home	45,434	913	342
Alcoholic Beverages away from Home	21,299	428	161
Personal Care Products	48,221	969	363
Personal Expenses and Services	76,088	1,529	573
Smoking Prods/Supplies	51,007	1,025	384
Prescription Drugs	96,441	1,938	727
Day Care	13,635	274	103
<i>Apparel</i>	221,795	4,457	1,672
Housekeeping Supplies	16,820	338	127
<i>Household Textiles</i>	27,668	556	209
<i>Furniture</i>	37,721	758	284
<i>Major Appliances</i>	16,322	328	123
Small Appliances/Houseware	34,784	699	262
Misc. Household Equip.	27,867	560	210
<i>TV, Radio & Sound Equipment</i>	95,943	1,928	723
Sports and Recreation	72,256	1,452	545
Reading Materials	30,206	607	227
<i>Travel</i>	71,659	1,440	540
<i>Photographic Equipment</i>	6,867	138	52
Pet Expenses	22,742	457	172
Cars and Trucks - New	153,171	3,078	1,154
Cars and Trucks - Used	129,086	2,594	973
Gasoline and Motor Oil	82,010	1,648	618
Vehicle Maintenance/Repair	86,986	1,748	656
Total	2,006,104	40,313	15,120
Neighborhood Goods & Services	1,076,876	21,640	8,116
Shopping/Specialty Goods & Services	477,976	9,605	3,603
Bold items reflect neighborhood-oriented goods and services			
<i>Italicized items reflect shopping/specialty-oriented goods and services</i>			
Sources: Claritas, Inc. Maxfield Research Inc.			

TABLE 12
HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
WAITE PARK MARKET AREA
2011

<u>Category</u>	Annual Expenditures		
	Total (\$000's)	Average Per HH	Average Per Capita
Food at Home	325,604	5,970	2,273
Food Away from Home	312,787	5,735	2,184
Alcoholic Beverages at Home	56,122	1,029	392
Alcoholic Beverages away from Home	26,943	494	188
Personal Care Products	64,630	1,185	451
Personal Expenses and Services	104,390	1,914	729
Smoking Prods/Supplies	62,394	1,144	436
Prescription Drugs	163,893	3,005	1,144
Day Care	17,726	325	124
<i>Apparel</i>	<i>277,227</i>	<i>5,083</i>	<i>1,936</i>
Housekeeping Supplies	22,525	413	157
<i>Household Textiles</i>	<i>37,469</i>	<i>687</i>	<i>262</i>
<i>Furniture</i>	<i>50,122</i>	<i>919</i>	<i>350</i>
<i>Major Appliances</i>	<i>19,853</i>	<i>364</i>	<i>139</i>
Small Appliances/Houseware	44,068	808	308
Misc. Household Equip.	37,524	688	262
<i>TV, Radio & Sound Equipment</i>	<i>132,914</i>	<i>2,437</i>	<i>928</i>
Sports and Recreation	99,590	1,826	696
Reading Materials	33,760	619	236
<i>Travel</i>	<i>97,790</i>	<i>1,793</i>	<i>683</i>
<i>Photographic Equipment</i>	<i>7,799</i>	<i>143</i>	<i>54</i>
Pet Expenses	30,870	566	215
Cars and Trucks - New	188,817	3,462	1,319
Cars and Trucks - Used	174,364	3,197	1,217
Gasoline and Motor Oil	124,297	2,279	868
Vehicle Maintenance/Repair	123,206	2,259	860
Total	2,636,682	48,344	18,411
Neighborhood Goods & Services	1,402,823	25,721	9,795
Shopping/Specialty Goods & Services	623,174	11,426	4,352
Bold items reflect neighborhood-oriented goods and services			
<i>Italicized items reflect shopping/specialty-oriented goods and services</i>			
Sources: Claritas, Inc. Maxfield Research Inc.			

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- ▶ The two categories accounting for the greatest percentage of consumer expenditures are Food at Home (groceries) and Food Away from Home (restaurants), both of which are neighborhood retail goods. In 2006, Food at Home or grocery accounted for 14% of household expenditures while Food Away from Home accounted for 12% of household expenditures.
- ▶ Of the 26 categories of retail items in Tables 11 and 12, 15 are neighborhood goods and services, likely the most appropriate for retailers at the Waite Avenue Redevelopment Area. (These 15 categories are bolded in the tables.) The expenditures in 2006 for these neighborhood goods from the Market Area were approximately \$21,600 per household and \$8,100 per capita. Seven of the 26 categories are specialty goods. (These seven categories are displayed in italics in the tables.) In 2006, expenditures for specialty goods were approximately \$9,600 per household and about \$3,600 per capita.
- ▶ The type of retail that would be appropriate in the redevelopment area is determined by the size of existing buildings, availability of land, traffic levels, and the existing business base. We do not believe that the Waite Avenue Redevelopment Area would be appropriate for many retailers of shopping and specialty goods because of the large building sizes and parking requirements that they require. Furniture and major appliance stores, for example, would require greater store sizes and parking than would be available in the area, given the current master plan.

Competitive Retail Space

Table 13 shows an inventory of big box and grocery retailers in the near the redevelopment area. The data was collected by Maxfield Research Inc. Store size was estimated based on aerial photos. Table 14 shows all identified competitive shopping centers larger than 30,000-square feet in the St. Cloud Metropolitan Area. Data was collected by Maxfield Research Inc. from the Minnesota Shopping Center Association's directory, Minnesota Commercial Real Estate Exchange, and field work.

This data is used to assess the existing supply of competitive retail in the Market Area and to inform demand calculations. Key points from the two tables follow.

- ▶ Shown in Table 13, we identified 1.1 million-square feet of big box and grocery retail near the redevelopment area. Other than a few big-box and grocery retailers along Highway 10 in the east side of the St. Cloud Metro Area, the retail in Table 13 accounts for nearly all big-box and grocery retail in the Market Area.
- ▶ With exception to the Menards and Home Depot, the big box retail shown in Table 13 represents retail establishments developed ten years ago or earlier. As such, the sizes shown in this table are not representative of new big box retail currently being developed. With their expansion into groceries, big box retailers such as Target and Wal-Mart are developing stores with up to and sometimes surpassing 200,000-square feet, as opposed to stores with 100,000-square feet. Likewise, Menards, Home Depot, and Lowes have been developing

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larger stores. With lumber yard and garden space included, these stores also often exceed 200,000-square feet.

TABLE 13	
"BIG BOX" AND GROCERY RETAIL SPACE	
NEAR REDEVELOPMENT AREA	
JULY 2007	
Retailer	Size Sq. Feet
Menards	150,000
Sam's Club	130,000
Walmart	120,000
Home Depot	110,000
Cub	100,000
Shopko	100,000
Cashwise Grocery	100,000
Big K-Mart	90,000
Kohl's	90,000
Toys 'R' Us	80,000
Best Buy	35,000
Sportsman's Warehouse	25,000
Barnes and Noble	25,000

Source: Maxfield Research Inc.

TABLE 14		
COMPETITIVE SHOPPING CENTER SPACE		
NEAR REDEVELOPMENT AREA		
JULY 2007		
Shopping Center	Size Sq. Feet	Major Tenants
Crossroads Center	782,000	Target, JC Penny's, Macy's, Sears, Gap, Eddie Bauer
Rivertown Village	153,000	Bed Bath & Beyond, Cost Plus World Market, Old Navy
Center Square	137,000	Herbergers, Ciatti's
Division Place	131,000	TJ Max, Famous Footwear, Fashion Bug, Great Clips
2nd Street Quad	114,000	Petsmart, Petters Warehouse Direct, Northern Tool & Equip
Marketplace	108,000	Cal Spas, REM Helath, Wells Fargo Financial
St. Cloud Westgate	105,000	Office Max, Byerly's, Media Play
Circuit City Plaza	91,000	Circuit City, Big Lots, Savers, JoAnn Fabrics
Centennial Plaza	72,000	Coburn's Grocery
Division Street Plaza	56,000	Schmidt's Music, Computer Renaissance, CD Warehouse
Midtown Square	45,870	Old Country Buffet, Redwing Shoes, Once Upon a Child
Best Buy Plaza	36,000	Michaels, Helzberg Diamonds
West Point Shops	NA	Panthero's, Buffalo Wild Wings, Pier 1 Imports

Sources: Minnesota Shopping Center Association; MNCAR.org; Maxfield Research Inc.

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- ▶ The St. Cloud Metropolitan Area does not yet have a Wal-Mart Supercenter or SuperTarget, although there are currently discussions about developing these stores (see Planned and Pending section).
- ▶ Table 14 shows 1.8 million-square feet of shopping center retail identified. While this does not represent all shopping center retail in the Market Area, we believe it accounts for majority.
- ▶ With exception to Center Square, all of the shopping centers shown in Table 14 are located on either Division Street North or 2nd Street South near the redevelopment area.
- ▶ The table shows the wide variety of national retailers located in the area.

Selected Retail Centers with Available Space

Table 15 shows competitive retail centers near the redevelopment area with available space. The data is provided to show typical lease rates achievable. This list is not comprehensive, but represents the most competitive space in the market. The data was collected by Maxfield Research Inc. from commercial listing sources. Key points from the table follow.

- ▶ Table 15 shows about 195,000-square feet of retail space available near the redevelopment area.
- ▶ Using the listings from the Minnesota Commercial Association of Realtors, we estimate that the overall vacancy rate for retail space in the Market Area is about 15%. This vacancy rate includes all available space being marketed as retail space. Some of this space is being marketed primarily as office space, with some retail options. In addition, much of this space is not competitive with the redevelopment area, with its prime location adjacent to the Crossroads Shopping Center.
- ▶ All of the available space is located in neighborhood centers.
- ▶ Stated lease rates for available retail space range from \$7 to \$15 per square foot per year, triple net (meaning expenses and taxes are the responsibility of the tenant). New retail developments are listing space in the \$13 to \$15 range.

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TABLE 15
SELECTED RETAIL CENTERS WITH AVAILABLE SPACE
NEAR REDEVELOPMENT AREA
JULY 2007

Center Name / Address	Year Built	Total Space	Avail. Space	Lease Rate	Op. Expense	Tax
<i>Neighborhood Centers</i>						
Plaza Park Court 6th Avenue South Waite Park	2004	26,000	13,929	\$13 NNN	\$2.50	\$2.00
Gateway Center 83-87 10th Avenue South Waite Park	1999	30,000	5,500	\$15 NNN	NA	NA
902 West Division Street 902 West Division Street Waite Park	1984	5,000	5,000	\$7 NNN	NA	NA
Pantown Plaza 3401 3rd Street North St. Cloud	1980	19,000	5,990	\$10 NNN	NA	NA
Division Place 2700-2900 Division Street St. Cloud	1978	131,000	21,097	\$10-\$15 NNN	\$3.14	\$2.82
St. Cloud Westgate 26th Avenue and Division Street St. Cloud	1969	105,000	45,000	\$11 NNN	\$1.45	\$2.15
Cub Foods West Shopping Center 2nd Street S and 33rd Avenue S St. Cloud	NA	12,000	1,162	\$15 NNN	NA	NA
167 6th Avenue South 167 6th Avenue South Waite Park	NA	18,027	12,229	\$10 NNN	NA	NA
2nd Street Quad 400 2nd Street St. Cloud	1996	113,510	NA	\$12 NNN	NA	NA
Marketplace of Waite Park 110 2nd St Waite Park	NA	108,000	NA	\$12 NNN	NA	NA
<i>Community Centers</i>						
Home Depot Plaza 327-535 2nd Street South Waite Park	1989	217,150	85,000	N/A	\$2.00	\$4.50
Sources: MN Shopping Center Association; MNCAR; LoopNet Maxfield Research, Inc.						

Planned and Pending Retail Developments

Maxfield Research Inc. interviewed local planning officials to identify pending retail developments in the Market Area. A summary of our findings follows.

Waite Park

- ▶ Miller Properties is proposing to develop a large retail center on Highway 23 adjacent to the Menards. The 47-acre site would include nearly 450,000-square feet of retail, much of which would be big box retailers. The site would also include restaurant pad sites and possibly some supporting strip retail. The developers are currently working on their EAW and would likely begin the approval process with the City in the fall, with construction expected to begin in spring 2008. The developers had considered developing an office building on the site, but recently discussed plans have not included office uses. While this project is still in very preliminary stages, we consider this project very competitive with the proposed retail at the Site.
- ▶ In addition to the Miller Properties proposal, there are two projects that are marketing to both retail and office users. *Plaza Park II* and a project at County Road 75 and County Road 81 are together marketing about 10,000-square feet each. Both projects are shown in Table 19. Both projects have additional phases proposed. While these projects would be competitive with office uses at the Waite Avenue Redevelopment Area, we do not believe these projects would be competitive with retail at the Site.
- ▶ Waite Park Office Plaza is marketing for-sale office condominiums to both office and retail users at a site on 2nd Street South near the Home Depot. This project, which is not shown in Table 19 because it is a for-sale project, includes about 10,000-square feet of retail/office, with an additional 10,000-square feet planned. As with the other projects described, this project would be more competitive with office uses at the redevelopment area rather than the retail uses.

St. Cloud

- ▶ The St. Cloud planning director also said that the city would begin its own AUAR process for developing areas of St. Cloud along Interstate 94 and that it is likely that some of the considered scenarios would include larger retail developments. As this planning process has not even began and the area is so far from the proposed development, retail associated with this planning process is not considered to be competitive with the proposed development and is not included in demand calculations.

Sauk Rapids

- ▶ DMH Partners has proposed a big-box retail development with supporting retail at the intersection of Golden Spike Road and Highway 10. The 250,000- to 275,000-square-foot project could include two big-box anchors with supporting retail. This project is still in the approval process.

- ▶ Granite City Properties is currently marketing over 25 acres for commercial development at the Pondview Development on Highway 15 and 18th Street. Sauk Rapids city officials said the site is currently zoned residential with a planned unit development overlay, meaning any commercial or residential developer must seek city approval for their project. The largest parcel is over 23 acres in size. However, only about 15 acres are developable because of an existing pond and slope issues. This lot could accommodate a smaller retail development than the proposed Quarry development, but does not have the size to accommodate a newer big-box retailer, which have sizes approaching 200,000-square feet.

Sartell

- ▶ The City of Sartell recently completed an Alternative Urban Areawide Review of a 186-acre area south of the Mississippi River and east of Highway 15. Three scenarios were considered for this land, all of which included a portion as commercial. There has been discussion that the site would include one or two big box retailers, with Lowe's and Super Wal-Mart rumored but not confirmed as potential retailers. The AUAR process is designed to combine comprehensive/master planning with the environmental review process. As such, the process for developing this site is still in early phases with development scenarios still being worked out and the selection of a final scenario is one to two years away. Development would likely not occur for several years.

Interviews with Commercial Brokers

Maxfield Research, Inc. interviewed commercial brokers familiar with Waite Park Market Area to solicit their impressions of the retail market in Waite Park and the surrounding areas. The following are key points derived from these interviews.

- ▶ Most brokers said that retail lease rates for new development would likely run between \$10 and \$14 per square foot. Smaller spaces could command a premium of between \$16 and \$18 per square foot.
- ▶ One broker said lease rates achievable for the Urban Center, for both office and retail, would be right in the center of the range of lease rates in the area. There would be some premium for some users for a mixed-use development, while others might see this as a weakness of the Site. In order to capitalize on both sides of this market, rates should be in the middle of the range.
- ▶ One broker said that the market for commercial property at the Site will change significantly when the 44th Avenue connection is completed and that the corner property would be strongly desired by the market.
- ▶ Crossroads shopping center is about 97% full and has a waiting list of national credit worthy tenants. There is potential to capitalize on this market and to develop a retail shopping cen-

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ter that would be viewed as an extension of the crossroads shopping center. One broker said there is a market for this type of higher end retailers at this Site.

- ▶ There are national retailers looking for appropriate space in St. Cloud and cannot find it. One brokers said that he has been trying to find 9,000-square feet for a retailer in town for months and has not found something appropriate.
- ▶ The retail market in the western portion of St. Cloud and Waite Park could see less activity as more retail development occurs north on Highway 15 and in the eastern portion of the St. Cloud Metro Area.
- ▶ Some retailers would be willing to leave Crossroads Shopping Center and relocate at the Waite Avenue Redevelopment Area. However, these retailers would not be national retailers who are not going to leave a regional shopping mall. So it would not be wise to count on this group to fill the entire space.
- ▶ One broker said that the retail market is stronger than the office market. He said that the retail market is on the verge of seeing some larger space absorption, which should bring the market closer to equilibrium.
- ▶ The retail market in this area saw strong build out in the last 15 years. It has begun to plateau. Absorption and, subsequently, development should slow in Waite Park and western St. Cloud in the next five to 10 years.
- ▶ There are still excellent sites for retail development in Waite Park, particularly west of the Menards. One broker said he has heard the developer is also considering a mixed-use, higher density development at this site. If the sites west of Menards are developed, it would provide strong competition to the proposed Waite Avenue Redevelopment Area development. (City officials said that the developer has ruled out mixed-use buildings at this site.)
- ▶ In addition to raw land, there still are some large lease spaces available. One example is the 85,000-square foot space at the Home Depot development.
- ▶ Because of its proximity to Crossroads Shopping Center, one broker said that the proposed redevelopment area would be appropriate for more higher-end retailers. However, he said that the recently leased-up *Sundial Village* may have already secured the base of this market. Developers at the proposed Waite Avenue Redevelopment Area would have to consider this issue when developing a product appropriate for market need.
- ▶ Another developer disagreed with the fact that *Sundial Village* captured the base of this market. He said the location of the Waite Avenue Redevelopment Area was far superior and had good potential for higher-end retail.
- ▶ One broker said that, as with all retail projects, access would be critical. He said that *West Point Shops* is a good example where access limits the shopping center and has made it difficult to attract tenants.

- ▶ That broker also said that the proposed Site would have good access from Waite Avenue, but somewhat limited visibility.
- ▶ One broker said the highest and best use at the site is retail, not office. She said that the site is a premium site and most office users would be fine locating in another location with more affordable lease rates.

Mixed-Use

- ▶ Floor plates of retail and office do not match, especially if you are targeting larger office users. Neither solution would be ideal for the market. You could put retail space back to back with office above, but retailers would have limited access to back entry. You could try to accommodate larger office users in a single sided strip center, but larger office users would be limited in their space.
- ▶ One broker said retail and office users demand enough parking to support all their customers and employees within 50 feet of the door. Office users are more accommodating of parking. However, smaller office users, which typically are service providers with more customer traffic, are now demanding parking directly in front of their office.
- ▶ Several commercial brokers questioned whether a mixed-use concept is appropriate for Waite Park. One broker said, “It’s Waite Park, not St. Louis Park.” The broker said that mixed use works in St. Louis Park because the development is located in a fully developed, desirable suburb and is close to the lakes in Minneapolis and downtown. There are no natural amenities near the Site that would attract residents for a mixed use project.
- ▶ Another broker said that this concept has not been able to work on the Mississippi River or in downtown St. Cloud, where she felt it would be more appropriate. This Site, she said, would face even more challenges.

Projected Demand for Retail Space

Earlier sections studied shopping patterns and factors that influence the demand for retail space in the Market Area, such as population growth and consumer expenditure trends, and reviewed the current supply of retail space. Table 16 combines the “demand” and “supply” data to calculate the amount of retail space (gross leasable area in square feet) supportable within the Market Area.

The figures used for the calculations reflect the amount of dollars spent on consumer goods and services (from consumer expenditure reports from Claritas, Inc.), the estimated median sales per square foot for neighborhood retail centers (from *Dollars and Cents of Shopping Centers*, Urban Land Institute), and the estimated current supply of retail space in the Market Area (from the secondary sources and field work by Maxfield Research Inc.).

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Table 16 calculates demand for retail space in the Market Area, generally, and at the proposed redevelopment area, specifically. The following bullet points summarize our demand calculations presented in Table 16.

- ▶ Based on data shown in Table 1, the estimated number of households in the Market Area is approximately 50,800 in 2007. Based on our analysis of consumer expenditure data, we estimate that consumer expenditures for the types of neighborhood and specialty goods and services that could be purchased in the Market Area are about \$36,000 per household. (This includes all retail expenditures except car and truck purchases.) Average household expenditures are estimated based on data in Table 11 and Table 12.
- ▶ Multiplying the consumer expenditure figure by the number of households results in total retail sales of \$1.8 billion. However, a review of sales tax data in the Market Area shows more retail sales than the figure generated by Market Area households, meaning the Market Area attracts retail sales from households outside the Market Area. Based on a review of the data, we estimate that 20% of retail sales come from households outside the Market Area. When these sales are added, the total figure is nearly \$2.2 billion in sales. In 2012, we project the Market Area will see an increase in retail sales from non-Market Area households as the number of shopping options increase.
- ▶ Utilizing average sales per square foot from *Dollars and Cents of Shopping Centers* and adjusted to account for location factors by Maxfield Research, we divide the average sales per square foot of retail space that results in Market Area demand for about 1.2-million-square feet in 2006, increasing to about 1.8-million-square feet in 2015. The 2007 figures are generally consistent with our competitive market analysis and estimates of additional retail space in the Market Area (pad site retail, small strip centers, downtown retail, etc.).
- ▶ Admittedly, the retail picture in the St. Cloud Metro Area is changing, with big-box retailers and shopping centers proposed in Sauk Rapids to the east and Sartell to the north. However, given Waite Park's current position, we project that the city will capture 40% of retail demand growth between 2007 and 2012. Based on this rate, we estimated demand for 660,000-square feet of retail in Waite Park between 2007 and 2015.
- ▶ We subtract out 500,000-square feet of pending retail developments in Waite Park (primarily the proposed Miller Properties development).
- ▶ Because of its proximity to the Crossroads Shopping Center, we estimate the Waite Avenue Redevelopment Area will capture between 60% and 70% of excess demand, or between 96,000- and 120,000- square feet.
- ▶ The retail demand calculation does not consider developable land availability at the Site. Therefore, demand for retail space at the Site may be greater than can be accommodated by the redevelopment area.

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TABLE 16 DEMAND FOR RETAIL SPACE WAITE PARK MARKET AREA 2007 to 2012		
	2007	2012
Market Area Purchasing Power		
Market Area Households	50,797	55,180
(times) Annual Household Expenditures ¹	x \$36,050	\$43,094
(equals) Total Market Area Expenditures	= \$1,831,236,111	\$2,377,915,884
Approx. % of retail sales driven by non-MA households	20%	22%
(minus) Leakage Outside of Market Area	+ \$366,247,222	\$523,141,494
(equals) Total Purchasing Power	= \$2,197,483,333	\$2,901,057,378
(divided by) Average sales per Sq. Ft. ²	/ \$300	\$323
(equals) Total Retail Space Demand (Sq. Ft.)	= 7,324,944	8,976,455
Retail Demand Potential		
	2007 to 2012	
Retail Space Demand Growth	1,651,510	
(times) Percent capturable in Waite Park	x 40%	
(equals) Projected retail space demand in Waite Park	= 660,604	
(minus) Competitive retail space marketing and planned in Waite Park in 2007	- 500,000	
(equals) Excess demand between 2007 and 2015 in Waite Park	= 160,604	
(times) Amount Capturable by Waite Avenue Redevelopment Area	x 60% - 75%	
Demand for Additional Retail Space at Site (in sq. ft.)	96,363 - 120,453	
¹ Includes all retail expenditures except car and truck purchases.		
² From <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute -- adjusted by Maxfield Research Inc.		
Sources: Claritas; <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute; Maxfield Research Inc.		

Introduction

This section of the report calculates the potential for new office development in the Waite Avenue Redevelopment Area by examining employment and business growth trends, analyzing the existing supply of competitive office space near the redevelopment area, and reviewing findings from interviews with commercial brokers. Finally, we project demand for office space at the Waite Avenue Redevelopment Area.

Strengths and Weaknesses of the Site of Office Uses

Maxfield Research Inc. analyzed the Waite Avenue Redevelopment Area to assess strengths and weaknesses for office use. A summary of this analysis follows.

Strengths

- ▶ **Central location.** The Waite Avenue Redevelopment Area is centrally located in the St. Cloud Metro Area, meaning office users would be easily accessible for their customers and employees.
- ▶ **Proximity to retail uses.** The Site is located in the primary retail area of the Market Area. Office users would be attracted to the fact that their customers would likely be familiar with the area and would find their location convenient. The flip side of this issue is the fact that the office users may have to compete for premium locations in the redevelopment area with retail users.
- ▶ **Relatively good access from Waite Avenue.** The Site would have excellent access to traffic along Waite Avenue.

Weaknesses

- ▶ **Visibility.** As with retail uses, the Waite Avenue Redevelopment Area does not have great visibility from Division Street North and 3rd Street North.

Market Area Definition

The majority of demand for office space at the Waite Avenue Redevelopment Area will come from businesses serving the growing local household and business base. Because of its location near the Crossroads Shopping Center and its proximity to goods and services along Division Street North and 2nd Street South, we use the same Market Area that was used for residential and retail uses at the Site. A map of the Market Area is shown on Page 15.

Employment and Business Growth

Employment Growth

Table 17 shows total employment growth trends and projections in Waite Park from 2000 to 2020, including the estimated percentage of total employment that would occupy office space. The figures were projected by Maxfield Research Inc., based on data from the Minnesota Department of Employment and Economic Development. The 2000 data is estimated based on the department’s Quarterly Censuses of Employment and Wages and projections are made based on the department’s projections for the Central Minnesota region.

TABLE 17 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS WAITE PARK MARKET AREA 2000 to 2020							
	Estimate 2000	Projection 2010 2020		Change			
				2000-2010 No. Pct.		2010-2020 No. Pct.	
Total Jobs	75,295	91,000	109,000	15,705	20.9%	18,000	19.8%
Office Jobs*	17,318	22,750	29,430	5,432	31.4%	6,680	29.4%
% office jobs	23%	25%	27%	--	--	--	--
*Office jobs include jobs primarily in the Information, Educational Services, Finance, Insurance, Real Estate, Professional Services, Management, and Healthcare.							
Sources: Minnesota Department of Employment and Economic Development Bureau of the Census: County Business Patterns Maxfield Research Inc.							

- ▶ The Market Area is projected to add about 16,000 jobs between 2000 and 2010, an increase of about 21%. Between 2010 and 2020, the Market Area is projected to add about 18,000 new jobs, an increase of nearly 20%.
- ▶ Using the U.S. Census’ County Business Pattern data, it is estimated that 23% of jobs in 2000 were office jobs (Information, Educational Services, Finance, Insurance, Real Estate, Professional Services, Management, and Healthcare). Based on Minnesota Department of Employment and Economic Development projections, we estimate that the percentage will increase to 25% in 2010 and 27% in 2020.
- ▶ Using these estimates, the number of office jobs is projected to grow by 5,400 between 2000 and 2010 and by 6,700 between 2010 and 2020.
- ▶ We utilize the industry standard of approximately 200 square feet per employee to determine total projected office space demand. Therefore, with the addition of 223 office jobs between

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2000 and 2010, it can be roughly estimated that about 44,600 square feet of office space is needed to accommodate these new employees. The actual amount of office space needed would likely be slightly less, because the number office jobs includes people working from home offices.

Business Growth

Table 18 shows business by size of business for 2004 and 2005, the most current years available, from the U.S. Census' County Business Patterns. The data is accumulated based on zip code boundaries (for zip codes 56301, 56303, 56304, 56310, 56320, 56374, 56377, and 56379). Therefore, the geographic area is not exactly the same at the Waite Park Market Area, but it is reasonably similar.

Business growth in these sectors is an important indicator of total demand for office space and the size of businesses provides an indication of the type and sizes of office spaces required. In addition to businesses in these sectors, a small amount of office demand will be generated from other sectors, including government agencies.

The follow are key points from Table 18.

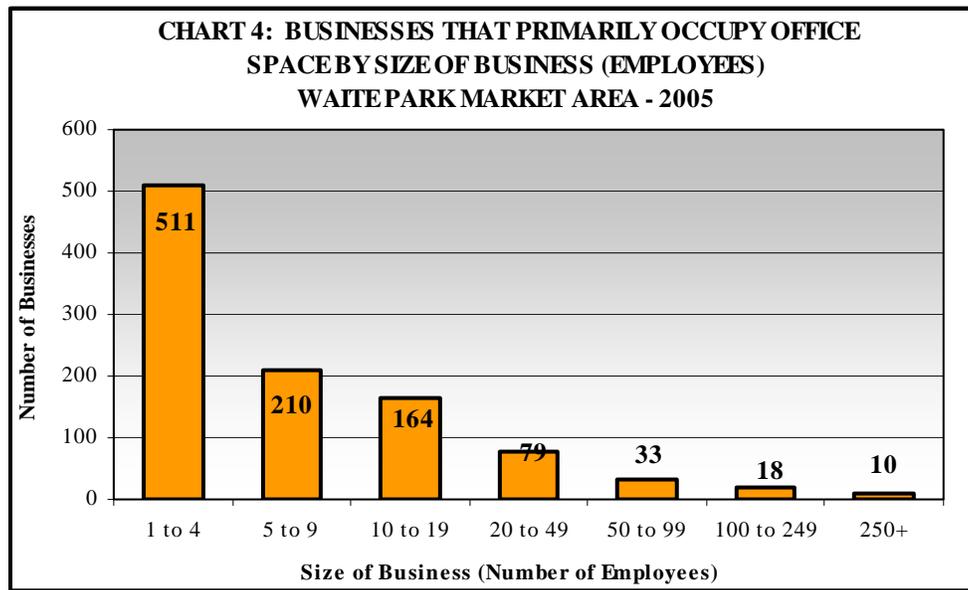
- ▶ The six business categories in the table contain a total of 1,025 office businesses in 2005.
- ▶ About 90% of office businesses had less than 20 employees in 2005.
- ▶ Because the St. Cloud Metro Area is a regional center for Central Minnesota, there are a large number of health care providers. Health Care and Social Assistance have the largest number of businesses (340 in 2005) of all office businesses in the Market Area. Finance and Insurance and Professional, Scientific, and Technical Services also have a large number of office businesses.
- ▶ Based on 200 square feet of office space per employee, businesses with between five and nine employees (6 businesses) would require 1,000 to 1,800 square feet of office space, businesses with between ten and 19 employees (6 businesses) would require 2,000 to 3,800 square feet, and businesses with 20 to 49 employees (one business) would require 4,000 to 9,800 square feet. We believe that businesses with between five and 19 employees will constitute the greatest demand for office space in the Waite Park Redevelopment Area.

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**TABLE 18
BUSINESSES BY INDUSTRY AND SIZE OF BUSINESS
WAITE PARK MARKET AREA
2004 & 2005**

	Education & Information		Finance & Insurance		Real Estate & Rental & Leasing		Prof., Scientific & Tech. Services		Mgmt of Companies & Enterprises		Health Care & Social Assistance		Total	
	No. 2004	No. 2005	No. 2004	No. 2005	No. 2004	No. 2005	No. 2004	No. 2005	No. 2004	No. 2005	No. 2004	No. 2005	No. 2004	No. 2005
Zip Codes 56301, 56303, 56304, 56310, 56320, 56374, 56377, and 56379														
1 to 4	22	19	136	142	101	105	128	129	2	4	107	112	496	511
5 to 9	14	12	38	39	28	30	46	44	6	3	78	82	210	210
10 to 19	11	15	19	25	9	8	30	29	5	4	81	83	155	164
20 to 49	12	12	16	14	4	2	13	16	0	1	36	34	81	79
50 to 99	5	6	5	4	1	1	4	5	2	2	11	15	28	33
100 to 249	3	1	2	3	1	2	2	2	1	1	11	9	20	18
250 or more	1	1	1	1	0	0	1	1	0	0	6	7	9	10
Total	68	66	217	228	144	148	224	226	16	15	330	342	999	1,025

Sources: Bureau of the Census: County Business Patterns
Maxfield Research Inc.



Selected Office Developments with Available Space

Table 19 shows competitive office buildings marketing near the Waite Avenue Redevelopment Area. The projects shown in Table 19 represent some but not all of the competitive space marketing. This information is provided for an assessment of the overall market and to inform pricing recommendations. The data was collected by Maxfield Research Inc. from listings in the Minnesota Commercial Association of Realtors, LoopNet, and broker interviews. Key findings follow.

- ▶ There is currently about 76,000-square feet of existing competitive office space marketing near the redevelopment area. There is another 30,000-square feet of proposed office space currently marketing.
- ▶ Using the listings from the Minnesota Commercial Association of Realtors, we estimate that the overall vacancy rate for office space in the Market Area is about 16%. Our interviews with commercial brokers suggested that this estimate is low. A few brokers said there is more space available that is not listed.
- ▶ Lease rates for competitive space range from \$10 per square foot per year for office show-room space to \$25 per square foot per year for smaller office space. For newer competitive space, the typical range is between \$13 and \$15 per square foot.
- ▶ There are eight projects in the table that are either proposed or have been built since 2004. Most of these projects have significant amounts of space available.

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**TABLE 19
COMPETITIVE MULTITENANT OFFICE BUILDINGS AVAILABLE FOR LEASE
NEAR REDEVELOPMENT AREA
JULY 2007**

Building/Address	Year Built	Total Space/ SF Available	Net Lease Rate	Class	Floors
Proposed Projects Leasing					
Park Plaza II 72-74 10th Avenue South Waite Park	U/C	9,400 9,400	NA	C	2
Co. Road 75 and Co. Road 81 Co. Road 75 and Co. Road 81 Waite Park	U/C	10,950 10,950	\$12.00 NNN	NA	1
St. Germaine Office Plaza 3721 23st Street South St. Cloud	Prop.	29,000 9,874	\$15.00 NNN	A	2
Proposed Total Space		49,350	Vac. Rate	61.2%	
Proposed SF Available		30,224			
Existing Projects Leasing					
Park Plaza 60 10th Avenue South Waite Park	2007	15,000 3,000	\$13.00 NNN	B	2
Landwehr Financial Solutions 2103 Frontage Road Waite Park	2006	1,800 1,300	\$15.00 Gross	Sublease	1
Plaza Park Court 167 6th Avenue South Waite Park	2005	30,000 12,229	\$13.00 NNN	Office/ Retail	1
Quarry Center 314 10th Avenue South Waite Park	1996	29,000 12,000	\$13.00 NNN	B	1
Cold Spring Center 4150 2nd Street South Waite Park	1990	77,000 6,222	\$14.00 NNN	A	5
Maine Prairie Business Center 3601 18th Street South St. Cloud	2004	33,000 6,600	\$10.00 Net	Office Showroom	1
25th Avenue Plaza 1715 Yankee Doodle Rd. St. Cloud	2006	7,734 7,734	\$15.00 NNN	A	1
TCF Building 200 25th Avenue South St. Cloud	1989	11,550 7,396	\$19.00 Gross	B	1
Continued					

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TABLE 19
COMPETITIVE MULTITENANT OFFICE BUILDINGS AVAILABLE FOR LEASE
NEAR REDEVELOPMENT AREA
JULY 2007
Continued

Building/Address	Year Built	Total Space/ SF Available	Net Lease Rate	Class	Floors
Existing Projects Leasing (Continued)					
2700 1st Avenue North 2700 1st Avenue North St. Cloud	1983	10,000 3,200	\$12.00 Gross	A	3
2719 West Division Street 2719 West Division Street St. Cloud	1980	10,000 120	\$13.30 Gross	C	1
Roosevelt Office Park 4651 Nicols Rd St. Cloud	1980	4,000 1,248	\$12.50 Gross	B	2
St. Stephen State Bank 3950 3rd Street North St. Cloud	1980	10,000 10,000	\$11.00 NNN	B	2
North Village 1320 32nd Ave N St. Cloud	1975	10,000 576	\$22.00-\$25.00 Gross	C	1
Midsota Center 3701 12th Street North St. Cloud	NA	10,000 4,386	\$15.50 NNN	A	4
Total Selected Existing Space		259,084	Vac. Rate	29.3%	
Existing SF Available		76,011			
Sources: Minnesota Commercial Property Exchange, LoopNet, Broker Interviews Maxfield Research Inc.					

- ▶ Typical tenants occupying multi-tenant office space in Waite Park are businesses serving the local household and business base, such as dentists, chiropractors, optometrists, financial advisors, insurance, and accounting and tax services. The average size of the space these businesses occupy is usually less than 2,000 square feet.
- ▶ Larger tenants often own their space or look to lease larger spaces in downtown St. Cloud.
- ▶ There is not a clear distinction between retail and office space in this market, with brokers marketing to both kinds of users. This fact may present a problem for multilevel commercial space because the first floor can be used as either office or retail but the second floor will likely only be able to be marketed as office.

Planned and Pending Office Developments

We interviewed staff in Waite Park and the surrounding communities to determine if any competitive office developments are under construction or planned in the near the Waite Avenue Redevelopment Area.

Three pending projects are shown in Table 19. In addition, many of the pending retail developments are being marketed to office space users as well as retail users.

Waite Park

- ▶ Mentioned in the pending retail section, Miller Properties is proposing to develop a large retail center on Highway 23 adjacent to the Menards. The 47-acre site would include nearly 450,000-square feet of retail, much of which would be big box-retailers. The site would also include restaurant pad sites and possibly some supporting strip retail. While we expect nearly this entire project to be retail, some space may be absorbed by office users.
- ▶ Two proposed projects that are shown in Table 19 are planning additions to the space currently marketing. *Plaza Park II* and a project at County Road 75 and County Road 81 are together marketing about 10,000-square feet each. Both projects have additional phases proposed, altogether totaling about 25,000-square feet of additional office/retail space.
- ▶ Also mentioned under the pending retail section, the Waite Park Office Plaza is marketing for-sale office condominiums to both office and retail users at a site on 2nd Street South near the Home Depot. This project, which is not shown in Table 19 because it is a for-sale project, includes about 10,000-square feet of retail/office, with an additional 10,000-square feet planned. As with the other projects described, this project would be more competitive with office uses at the redevelopment area rather than the retail uses.

St. Cloud

- ▶ The St. Cloud planning director also said that the city would begin its own AUAR process for developing areas of St. Cloud along Interstate 94 and that it is likely that some of the considered scenarios would include office developments.

Interviews with Commercial Brokers

Maxfield Research, Inc. interviewed commercial brokers familiar with Waite Park Market Area to get their impressions of the office market near the redevelopment area. The following are key points from these interviews.

- ▶ In general, there is a “glut” of office product. When asked to confirm the estimated vacancy rate of about 16%, one broker said that the estimate seemed reasonable given his understanding of the market. Another broker said it is likely too low, and that there are probably more listings out there.

OFFICE MARKET ANALYSIS

- ▶ One broker said that the vacancy rate for office is probably higher today than it was four years ago. Lease rates have yet to be affected, but, he said, he would not be surprised if lease rates started to see some downward pressure. Such declines would likely be seen in all product types, from higher-end office to lower-end office.
- ▶ The absorption rate for office is not keeping up with the new office space being developed.
- ▶ One office broker said they are quoting \$13 to \$15 per square foot. However, with build out concessions, which the market is expecting, the real lease rate is likely below \$12 per square foot.
- ▶ Many office tenants would rather invest in their own property than pay \$30,000 or more in build out costs.
- ▶ Another broker said there is a glut of small office space but limited amounts of large, contiguous office spaces available.
- ▶ Another broker agreed, and said that there are limited large office user prospects, but when these users do come around, there are no spaces to accommodate them.
- ▶ Many office users would balk at space above retail because they want to have the easiest access for their customers. One broker said even architects and lawyers are now insisting that they have the most direct parking possible.
- ▶ Floor plates of retail and office do not match, especially if you are targeting larger office users. Neither solution would be ideal for the market. You could put retail space back to back with office above, but retailers would have limited access to back entry. You could try to accommodate larger office users in a single sided strip center, but larger office users would be limited in their space.
- ▶ One broker said retail and office users demand enough parking to support all their customers and employees within 50 feet of the door. Office users are more accommodating of parking. However, smaller office users, which typically are service providers with more customer traffic, are now demanding parking directly in front of their office.
- ▶ The highest and best use at the site is retail, not office, according to one commercial broker. She said that the site is a premium site and most office users would be fine locating in another location with more affordable lease rates.
- ▶ One broker said that office users are not going to pay upscale rent to be above retail, with limited access for their customers.
- ▶ One broker said that a single use office building would be less risky at the Site.

Projected Demand for Office Space

Earlier discussions in this section focused on factors that influence the demand for office space, including business and employment growth and current market conditions. The amount (in square feet) of additional office space supportable at the Waite Avenue Redevelopment Area is based on projected office employment growth in the Market Area. Our demand calculations are shown in Table 20 and are summarized in the following bullet points.

- ▶ The Waite Park Market Area is projected to add 13,700 total jobs between 2007 and 2015. Of that growth, we estimate that 36% will be office jobs, or 4,900 new office jobs. (These estimates are from Table 17).
- ▶ Using an industry standard of 200 square feet of office space per employee on average, we project demand for 987,000-square feet of office space in the Waite Park Market Area between 2007 and 2015 to accommodate office employment growth. This figure assumes that a variety of office spaces in a variety of locations will be available to meet the needs of prospective tenants.

TABLE 20			
PROJECTED DEMAND FOR OFFICE SPACE			
WAITE PARK MARKET AREA			
2007 to 2015			
Demand from Projected Employment Growth			
Projected increase in employment in the Waite Park Market Area, 2007 to 2015		13,712	new jobs
(times) Percentage of projected employment growth that will be office jobs	x	36%	
(equals) Projected increase of office jobs in the Market Area, 2007 to 2015	=	4,936	new office
(times) 200 square feet of office space per employee	x	200	sq. ft./emp.
(equals) Total Market Area office space demand from growth, 2007 to 2015	=	987,264	
(times) Percent capturable by City of Waite Park	x	25%	
(equals) Projected office demand in the City of Waite Park, 2007 to 2015	=	246,816	
(minus) Available and planned competitive leasable office space in 2007	-	161,000	sq. ft.
(equals) Projected demand for small business office space in Market Area	=	85,816	sq. ft.
(times) Estimated capture rate in Waite Avenue Redevelopment Area	x	25% - 33%	
(equals) Estimated total office space supportable in Redevelopment Area	=	21,454 - 28,319	sq. ft.
NOTE: We estimate that the majority of this demand would come in the latter part of the 2007 to 2015 period, following absorption of existing product in the market and after development has begun at the Site.			
Source: Maxfield Research Inc.			

- ▶ Of this demand, we estimate the City of Waite Park will capture 25%, or 247,000-square feet of office space.

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- ▶ From that amount, we subtract existing competitive space marketing along with pending space identified – about 161,000-square feet. From that calculation, we estimate demand for about 86,000-square feet of office in the City of Waite Park between 2007 and 2015.
- ▶ Because no single site could capture all of this demand, we estimate that the Waite Avenue Redevelopment Area could capture 25% to 33% of the total office demand in Waite Park over this period, or about **21,000- to 28,000-square feet**. Our capture rates are based on the fact that there still are quite a few sites that could be developed for office space within the City of Waite Park.
- ▶ These demand calculations do not consider developable land availability at the Site.

CONCLUSIONS AND RECOMMENDATIONS

Introduction

Previous sections examined the demographic and competitive environment for housing, retail, and office uses in the Market Area. This section summarizes conclusions and makes recommendations for the Waite Avenue Redevelopment Area based on the analysis.

Demand Estimate Summary

Table 21 summarizes total demand calculations for the amount of each use that could be captured by the Waite Avenue Redevelopment Area. Demand estimates for each use are calculated in the previous sections, based on the demographic analysis and current market conditions. (Demand calculations below do not take into consideration land availability at the Site, and therefore, total demand may exceed land available for development.) The conclusions and recommendations that follow are based on these estimates.

TABLE 21 SUMMARY OF DEMAND WAITE AVENUE REDEVELOPMENT AREA JULY 2007	
Type of Use	2007 to 2015
Housing (Units)	
<i>General-Occupancy</i>	
Side-by-Side Multilevel For-Sale Townhome Units	7 to 11
Twinhome and Patio (Single-Level) Townhome Units	34 to 51
Condominium (Single-Level) Units	4 to 6
Rental Units	83 to 101
<i>Age-Restricted (Senior)</i>	
Independent Living For-Sale Units	40
Independent Living Rental Units	56
Total Housing Supportable (Units) *	141 to 209
Total Retail Supportable (Sq. Ft.)	96,000 to 120,000
Total Office Supportable (Sq. Ft.)	21,000 to 28,000
* Total assumes either a rental general-occupancy rental building or a independent senior rental building are built, but not both.	
Source: Maxfield Research Inc.	

Housing Conclusions and Recommendations

Our analysis of the housing market finds market potential for several housing options at the Waite Avenue Redevelopment Area. However, timing of these developments would be important.

Short-Term Housing Trends

Our analysis of the multifamily housing market in the Waite Park Market Area shows that the national housing slowdown is being felt locally. Absorption of for-sale housing product has slowed dramatically compared to a couple of years ago, and senior housing developments are seeing small increases in vacancies as it becomes more difficult for seniors to sell their existing single-family home to free up resources to be able to afford senior housing.

The positive impact of this housing slowdown is suggested by rental building managers, who said that they are seeing fewer vacancies and shorter time periods for vacancies to fill. Some managers said they may see more dramatic rent increases than have been seen in years.

Long-Term Housing Trends

In the long term, however, strong household growth is projected for the Market Area. The St. Cloud Metro Area is projected to add jobs, and will continue to grow economically as a regional center of Central Minnesota. As the demand calculations which are based on these trends point out, demand for new housing will continue to grow in Waite Park, and some of this demand can be accommodated by the Waite Avenue Redevelopment Area.

Demand for different product types is not equal among all products, meaning that timing and scale will be important to ensure that the mix of housing offered in the redevelopment area will be well-received by the market. Table 21 shows a summary of demand for housing in the Waite Avenue Redevelopment Area between 2007 and 2015 based on the preceding analysis. It is important to point out that this summary shows demand potential and does not take into account existing supply of available land for this development.

Housing Markets

The demographic profile in the Waite Park Housing Market Area will affect housing demand and the types of housing that are demanded. The various household types are:

1. *Entry-level householders*
 - Often prefer to rent basic, inexpensive apartments
 - Usually singles or couples without children in their early 20's
 - Will often “double-up” with roommates in apartment setting
2. *First-time homebuyers and move-up renters*

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- Often prefer to purchase modestly-priced single-family homes and townhomes (back-to-back style, usually) or rent more upscale apartments
 - Usually married or cohabiting couples, in their mid-20's or 30's, some with children
3. *Move-up homebuyers*
- Typically prefer to purchase newer, larger, and therefore more expensive townhomes (side-by-side style, usually) and single-family homes
 - Typically families with children where householders are in their late 30's to 40's
4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
- Prefer owning and some will move to alternative lower-maintenance housing products
 - Often downsize to a condominium or townhome (main-level-living style, typically)
 - Many own a second home in a Sunbelt state
 - Generally couples in their 50's or 60's
5. *Younger independent seniors*
- Prefer owning but will consider renting their housing
 - Some will move to alternative lower-maintenance housing products, such as a condominium or townhome (main-level-living style, usually)
 - Others will move to age-restricted housing, either rental or for-sale
 - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
 - Generally in their late 60's or 70's
6. *Older seniors*
- May need to move out of their single-family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
 - Generally single females (widows) in their mid-70's or older

Recommended Housing Types

Based on our analysis, we find demand for several housing products, representing some demand from every household type. We believe that adding housing should be a priority of the City in its redevelopment efforts. Our research finds that strong housing demand in the area creates the potential to develop some of the housing products described in the table immediately. Also, the addition of housing in the redevelopment area can be a catalyst to commercial development. While increasing the size of the local customer base, the new housing would also improve the

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overall appearance of the area – helping to create a positive image that would strengthen the drawing power of the commercial uses in the redevelopment area.

We recommend an eight-year phased approach that capitalizes on the greatest market potential in the first years of the project – in order to give the entire mixed-use development some momentum – while anticipating where the housing potential will be in later phases.

Phase I

We have identified three primary target markets for housing in the Waite Avenue Redevelopment Area based on our review of demographic growth trends and current housing conditions and trends. They are:

- 1) Young singles and couples, both with and without children, who are or will become employed in the St. Cloud Metro Area and are seeking entry-level for-sale housing;
- 2) Younger and middle-aged singles and couples without children who work in the St. Cloud Metro Area and are seeking an affordable, owned housing option to single-family homes and/or a lifestyle choice for multifamily, owned housing in an environment that offers retail, restaurants, and other entertainment within walking distance from their home; and
- 3) Empty-nesters and independent seniors currently living in the area who are seeking multifamily housing as an alternative to their single-family homes (for reasons such as downsizing, shedding home maintenance responsibilities to increase time for traveling and other activities and to increase socialization).

In addition to meeting the needs of the target markets, housing in the Waite Avenue Redevelopment Area needs to compliment and enhance the commercial components of the redevelopment. Housing is a valuable component of redevelopment efforts as new households would support the new retail and services, and would also enhance the visual identity of the area.

The housing types that we believe would satisfy housing demand from the target markets and that are most appropriate in the redevelopment area are listed below, along with recommended number of units and pricing/rents.

- ▶ Twinhomes and Main-Level-Living or Single-Level Attached Townhomes – We find demand for between 34 and 51 of this style of townhome unit in the Waite Avenue Redevelopment Area. We recommend building between 12 and 24 units in the first phase. We believe this product holds the greatest market potential for for-sale product and we recommend focusing on this style in the first phase. We recommend focusing on the twinhome or main-level-living townhomes over the multilevel rowhome.

The recommended units feature master suites, with master bedroom and bath, on the main level, and have been popular with middle-age couples, empty-nesters, and independent seniors. These units are typically built in less dense buildings, with between two and four units

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per building and have been priced somewhat higher than rowhome units. These units typically start in at about \$200,000 for smaller units (1,200-square feet) and can go as high as \$340,000 for larger units (2,200-square feet) or between \$155 and \$166 per square foot.

Absorption at similar developments has been averaging about one unit per month in the past 18 months, a figure which obviously reflects the housing slowdown. As we believe this recommended product would not begin marketing for some time, we believe absorption would likely be better than what has been recently seen in the market. We project that a 12 to 24 unit project would absorb at a rate of between 1.0 and 2.0 units per month, for a total absorption period of between 12 and 24 months.

We do not recommend multilevel rowhome-styled townhomes in the first phase. There is currently no similar product marketing near the redevelopment area. In fact, builders have been moving away from attached townhomes in general. However, we believe that an attached twinhome or main-level-living-styled attached townhomes would be accepted by the market at the redevelopment area, where buyers would realize that they would sacrifice a single-family styled home for the more urban feel of a mixed-use development.

These units should be developed with design standards that, while different from much of the product in the market, would be very appealing to buyers. We believe developers can be encouraged to build units that maintain the pedestrian-oriented feel of the Waite Avenue Redevelopment Area.

- ▶ Rental Apartment – Based on our demand calculations, we found demand for between 80 and 100 units of rental housing at the Waite Avenue Redevelopment Area. We recommend considering a building of somewhat smaller scale, between 60 and 80 rental units, in the first phase. There has been little rental development in the St. Cloud Metro Area in the past five or so years and rental managers are reporting that the market is improving. This type of residential development would be appropriate in the redevelopment area, especially adjacent to some of the existing businesses, where buyers may be reluctant to invest. The redevelopment areas central location within the areas largest retail district would be very attractive to potential rental residents.

Rents in the market are ranging from between about \$0.80 and \$1.20 per square foot. A newer rental project in the Waite Avenue Redevelopment Area could achieve rents at the higher end of this spectrum, in the \$1.00 to \$1.20 range.

Based on our demand calculations and the current market, we project that such a rental project would absorb at a rate of between 2.5 and 3.0 units per month, for a total absorption period of between 20 and 32 months.

We do not recommend high-density condominium or senior housing in the first phase. Several of the condominium projects outside of the urban core areas in the state have seen sluggish absorption. We believe that, in markets such as the Waite Park Market Area, condominium units have a difficult time competing in price with single- and multi-level townhomes. We believe the results would be similar in the Waite Park Redevelopment Area, into the foreseeable future.

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The senior demand estimates did show demand for additional senior units in the Waite Park Redevelopment Area, but current conditions suggest that this type of development might be better in later phases. We do not recommend senior housing in the first phase.

Phase II

For the second phase of redevelopment in the Waite Avenue Redevelopment Area, we recommend shifting the focus to higher-density multilevel townhome housing. We base this recommendation on the fact that by this point there will be additional retail and services in the redevelopment area, which will better support such housing. In addition, we believe there will be greater demand for general-occupancy for-sale housing from entry level buyers.

Another option would be to consider senior housing options at the Site. As the overall housing market begins to regain momentum, the senior housing market will follow, as seniors are able to sell their existing home to be able to afford specialized housing. Independent seniors would have greater potential at this point.

We recommend a more in depth evaluation of market conditions at that point to determine the appropriate housing concept to focus on in the second phase.

Housing Locations

We believe the areas designated for housing in the Waite Avenue Redevelopment Area Master Plan are appropriate for housing, as long as housing is sufficiently buffered from traffic and non-conforming uses.

We recommend phasing the first phase townhomes from south to north, leaving the far north section of the redevelopment area (which is adjacent to the railroad tracks) for the second phase of rowhomes, which would likely have lower price points.

We recommend that, if a rental apartment building concept is developed, it be where the “stacked flats” building is currently located. This site is not an ideal location for for-sale housing because of the adjacent businesses. We recognize that there may be some resistance to a rental building at this location from the adjacent neighborhood and the senior housing facility. However, if the concept is appropriately designed, we believe it could be sold to the community as a way to create higher density housing options in this redevelopment area.

Retail Conclusions and Recommendations

Appropriate Types of Retail

Table 21 shows estimated demand for between 96,000- and 120,000-square feet of retail development at the Waite Avenue Redevelopment Area. Our interviews with commercial brokers reinforced our belief that this area has very good retail potential. The area is adjacent to the

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Crossroads Shopping Center. It has excellent access to Division Street North (better than other sites along the street which are limited to right-in-right-out entrances). And it is expected to see a boost in traffic counts, following the completion of the proposed 44th Avenue/Waite Avenue connection.

Commercial brokers said that Crossroads Shopping Center is nearly full and has a waiting list of national credit tenants, who may be attracted to a site adjacent to the mall. And, with its close proximity to Macy's, several commercial brokers mentioned the possibility of this site becoming a center for higher-end retailers.

First Phase

We recommend focusing retail development in the first phase, with a project totaling between 75,000- and 100,000-square feet of retail in the configuration shown in the site plan of the Waite Avenue Redevelopment Area Master Plan (shown on Page 12). We recommend building design standards that would allow the project to capitalize on its potential for higher-end retail.

Second Phase

As with the housing, we recommend further evaluation of the commercial market to determine an appropriate strategy for further commercial development at the Waite Avenue Redevelopment Area.

Retail Lease Rates

Based on the lease rates at new competitive shopping centers in the Market Area and surrounding communities, we find that new space in the Waite Avenue Redevelopment Area would have to be priced comparable, even though the Site's location near the Crossroads Shopping Center is a premium retail location. Therefore, we believe net lease rates of \$13.00 to \$15.00 per square foot per year should be attractive to many of the potential retail tenants. While smaller spaces are getting a premium above these lease rates, there are not many listings with lease rates above these rates. There is good potential for higher lease rates at this Site. However, there are many uncertainties with regard to traffic counts and access which will ultimately have to work themselves out.

With these base lease rates, redevelopment of commercial properties in this area may require a public/private partnership. The rents necessary to make redevelopment feasible would be higher than what potential retail and office tenants could or would be willing to pay initially. Public assistance to help reduce the cost of redevelopment to the private sector will almost certainly be necessary for the commercial portion of the redevelopment to be successful in the next five years.

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Locations

The following three components; access, visibility, and traffic counts are fundamental site and location criteria for a successful retail development.

Since visibility and access are keys to the success of retail businesses, new retail should be fronted along Waite Avenue. Most retailers today require Site's with maximum traffic counts and high visibility. Two of the proposed commercial buildings are not directly on Waite Avenue and would have poor visibility because they are located behind other buildings. This configuration would be difficult to market. We recommend repositioning these structures so they would have better visibility from Waite Avenue, or eliminating them and setting these areas aside for residential use.

As with the residential development, we recommend starting at the south end of the redevelopment area and phasing new retail development north. This strategy would allow the project to capitalize on the synergies between the residential and commercial development.

Access

One of the key components for a successful retail development is vehicular access to the site and a roadway that has capacity to handle increased traffic levels. Extreme traffic congestion is a deterrent to potential shoppers. Retailers typically seek locations on major arteries and often impose various traffic count standards. As the majority of the retail at this redevelopment area is not located on Division Street North, the most direct access to the Site would be critical.

Prospective customers must be able to get to a retail area with minimal delay and driving frustration. Access to a retail center must be easy and unobstructed. The right of ways must be wide enough and enough driving lanes must be provided.

The availability of curb cut rights and median breaks is extremely important. In order to market the shopping center to potential tenants, the developer would be required to represent where these curb cuts will exist. Retailers may also ask about the availability of median breaks, realizing that a nonmountable traffic median will severely impede left-hand turning movements.

All efforts need to be made to make access from Division Street North to Waite Avenue and the Site as easy as possible. Retailers would want this area to be easily navigable by car and will balk at this location if they believe their customers will have a difficult time getting to them.

Visibility

Visual access is also one of the most basic forms of marketing and communicating to potential purchasers and it stimulates unplanned shopping trips and purchases. Planners and developers for the Waite Avenue Redevelopment Area would have to be creative in maintaining the balance between well designed retail development and appropriate signage which would direct customers from Division Street North to the redevelopment area.

Office Conclusions and Recommendations

Table 21 shows our demand calculations for retail at the Waite Avenue Redevelopment Area. We find demand for between 21,000- and 28,000-square feet of office space.

The relatively small amount of office space relative to retail is based on the fact that there is currently a good deal of smaller-sized available lease space, while brokers said the absorption of this space has been slowing recently. In addition, traditional office users in the Waite Park Market Area often lease space that would be considered traditional retail space, and office space users might not be willing to compete with traditional retailers for the more premium retail space at the redevelopment area.

For these reasons, we recommend building one multistory retail building with office uses above in the first phase of the development. We recommend the total amount of traditional office space developed in the first phase not exceed 25,000-square feet. For commercial space developed in the second phase of the development, we recommend reexamining the office market condition to see if there is greater potential for mixed-use office and retail development. As the market stands currently, we believe there is somewhat limited demand for this type of office space.

Lease Rates

New office space at the Waite Avenue Redevelopment Area should capture net lease rates priced from \$13.00 to \$15.00 per square foot. These rates are comparable to available space currently in the market. We believe there is limited potential for premium office lease rates at the site because office users would not want to compete retail for this space, office users might feel that they would be taking a risk in a mixed-use building, relative to other available lease space, and there currently are many other options in the market for this type of space.

Access and Visibility

Access and visibility issues for office space users are similar to those of retail space users. We recommend that, if possible, the mixed-use commercial buildings be designed to provide distinct parking for office versus retail uses. Office users would appreciate a situation where their customers and employees are not forced to compete with retail customers for parking.

Other Recommendations

Potential for Area across Waite Avenue

While outside the scope of this study, the parcel of land directly east of the Waite Avenue Redevelopment Area and north of the Crossroads Shopping Mall parking lot presents an excellent opportunity for additional retail. We believe the commercial recommendations presented in

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this study could easily be extended to this site, which could ultimately be included in the second or third phases of this redevelopment.

Existing Businesses

We recommend considering how existing retailers in the Waite Avenue Redevelopment Area could improve their properties to better fit in with an overall redevelopment concept. While all of these properties are in relatively good condition and function well given their current use, these properties may ultimately become a hindrance to overall project as the redevelopment moves forward.

Potential residence and commercial space users would want a consistent development from Division Street North up to 3rd Street North, and they may be hesitant to make investments in the area if they think these properties conflict with the overall redevelopment.

Dog Park

We recommend eliminating the dog park. Potential home buyers would see this feature as a possible nuisance, with barking dogs and owners who may not clean up after their pets.

Buffering

Mentioned previously in this study, we recommend that all possible design efforts be undertaken to buffer the railroad and industrial properties and views from residential uses at the redevelopment area.

Future of the Waite Avenue Redevelopment Area and Mixed-Use Redevelopment in Waite Park

Interviews with both residential and commercial sources suggested that the Waite Park Market Area might not be ready for a mixed-use residential and commercial building, and that downtown St. Cloud would be a more appropriate location for such a development. While we believe this perception is accurate, we recommend considering such building styles in later phases of this development, in order to tap into existing market strengths in the first phase and establish some momentum for the entire redevelopment.

This analysis admittedly focuses on the current market conditions in the Waite Park Market Area, where there has been little high-density townhome development and mixed-use commercial development. As such, our recommendations are based on a strategy that attempts to capitalize on existing market momentum in the first phases of the project, which in general means less mixed-use features and more traditional concepts that are currently present in the

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market (detached and attached single-level townhomes, traditional rental apartment buildings, and single-level retail).

We recognize that, if developers only focused on what worked in the past, nothing new would get built. The Waite Avenue Master Plan clearly envisions a new type of development than has been developed in the Waite Park Market Area, with its emphasis on pedestrians, green space, and residential and commercial uses in close proximity. The residential focus on side-by-side, assumed multilevel and condominium housing and the multistory commercial buildings are concepts that have not been developed to a large extent in the Market Area.

Beyond the first phase recommendations, there are several trends that suggest the less traditional concepts featured in the Waite Avenue Master Plan – such as rowhomes and multistory commercial buildings – will have market potential in later phases. Here are some of those trends.

- ▶ **Return of first-time homebuyers to the new-construction housing market.** The slow-down in the housing market has generally been seen across all buyer profiles. However, with declining prices, larger inventories, and relatively low mortgage interest rates, it is a great time to buy a home, especially if you do not have to sell an existing home to do so. For this reason, it is likely that first-time home buyers will begin to reenter the housing market before other buyer segments. These buyers want affordability and are attracted to the features and amenities offered by new construction. These buyers are also willing to consider side-by-side, rowhome-style housing. And, depending on pricing and availability of other product types, these buyers may also consider condominium-styled housing.
- ▶ **Aging population will mean greater demand for maintenance-free housing.** Discussed in the demographics section of this study, the long-term trend of an aging population will mean an increase in maintenance-free housing demand across all product types. While the current market analysis shows little market potential for condominium-style housing at the present time, this demographic trend may translate to an increased acceptance of this product type and market potential for this product in later phases.
- ▶ **Greater acceptance of density and mixed-use, pedestrian-friendly areas.** Potential residents, office space users, retailers, and customers will become more and more acquainted with this type of development and ultimately more accepting. At this point, these users, many of whom want to live, work, or shop in a mixed-use development, do not have mixed-use development options available or are making other choices because of prices or other features that they see as more desirable (floor space, parking availability, individual lot, unit size, etc.). As mixed-use development becomes more prevalent, residents and commercial space users will have more examples to compare later phases of the proposed project to.
- ▶ **Waite Avenue Redevelopment Area becomes a niche retail center.** Discussed in detail in this study, the St. Cloud Metro Area will see some large retail developments in areas other than the Division Street North and 2nd Avenue South Corridors. Most of these developments will focus on traditional retail strategies, with big box anchors and supporting national retailers. Much of this development will look exactly the same, giving retail development in the Waite Avenue Redevelopment Area an opportunity to distinguish itself as a niche center.

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By attracting retailers that would not locate in the traditional retail concept, this area will have an opportunity to offer the Waite Park Market Area a retail experience unlike any other in the area. If this type of destination can be established, the area would be very attractive for residents and office users, as well.

For these reasons, we recommend considering rowhome-style and condominium-style housing along with additional multistory commercial buildings in later phases of the project rather than in the first phase. This strategy will provide early successes for the redevelopment area, building a foundation where newer types of mixed-use development can be introduced into the Waite Park Market Area.